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This book is for
Michael Lubell
and
Donald Moon

Murray Teigh Bloom

THE BROTHERHOOD OF MONEY

THE SECRET WORLD OF BANK NOTE PRINTERS

BNR Press • Port Clinton, Ohio

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Also by MURRAY TEIGH BLOOM
The Man Who Stole Portugal
Money of Their Own
The Thirteenth Man
The Trouble With Lawyers

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PART I:
MONEYMAKERS

The Wedding

The sumptuous wedding dinner took place on a Saturday in June under a huge green and white striped tent on the well-tended grounds of the palatial home high atop Lausanne. Lac Leman was far below; so was the old Beau Rivage hotel, the one-time favorite holding area for unemployed European royalty.

The wedding dinner was being held on the grounds of the groom's parents. Because their four-story mansion had only ten bedrooms, nearly all of the large Palace Hotel had long been preempted for the many out-of-town and foreign wedding guests.

Weeks before, the technicians from New York's Studio 54 had been imported to create a modified version of the New York disco scene: lights, sound equipment, tapes, smoke. . .the works. The dance floor had been built over the large swimming pool.

Studio 54 modified, of course. Under the Swiss skies, in that atmosphere of quiet and very considerable wealth, the brutal throbbing sounds, the jabbing lights, the rolling colors were muted somewhat. And the ambiance was softened considerably: there were no wearers of fetish clothing, no chains, no black leather garments, feathers or women in garter belts. Understandably, it wasn't easy for this crowd to achieve the necessary air of total abandonment. They didn't try too hard. Still, the dancing and drinking and talking went on all night after the elaborately served dinner for the 380 guests. There was an extra incentive for a lot of dancing. It was an unseasonably cool

evening and electric heaters had to be placed along the tent's perimeters.

Yet this remarkable affair, clearly one of the most glittering weddings that summer in Switzerland, didn't even rate so much as a paragraph in either of Lausanne's dailies, *Feuille d'Avis* , or *The Tribune* . Not even a word in the journals of the nearby metropolis, Geneva. Nor would there be the obligatory pictures and laboriously careless captions in any of the international chi-chi, jet-set organs. One could only conclude that great efforts had been made *not* to publicize this spectacular wedding. Of course, the moneyed world is getting discreeter. There *are* many jewel thieves and kidnappers out there. (Indeed, one of the wedding guests had been kidnapped and ransomed by his family for a very large sum, not long before.) Those were surface reasons why the local papers had been persuaded to let the wedding be a non-event. The real reason?

The groom, Maurice Amon, and his father, Albert, are part of a quiet, very discreet international coterie. It is overwhelmingly male, white, and transcends all national and religious lines. In their own coterie, members had competed with one another, sneered at one another, traduced their products. But all this was done in private. They weren't quoted in *The Wall Street Journal* or the *Neue Zuricher Zeitung* .

For a group who affected the daily lives and habits of just about every adult on earth, they were remarkably mute. By comparison, they made the CIA and SIS seem like childish blabbermouths. It wasn't that they were all naturally modest, strong and silent types. You could hardly call Rino Giori that. It was the nature of their ultimate product. Paper money is much more than just the basic stuff of modern civilized life. It is the linchpin. You pulled it and the whole structure could collapse. Revolutionaries like Lenin always began by inveighing against paper money but in the end they, too, succumbed to its fierce logic, its sublime simplicity.

Not only the dedicated revolutionaries but indeed all of the world had been won over. Only Cambodia deliberately lacked paper money, but then it was also a deliberate man-made vacuum filled with millions of starving victims. The coterie supplied the world's 4½ billion inhabitants with that irrational but vitally necessary element of daily life—paper money. Mind you, members of the brotherhood are more than mere artificers or guild masters; they are the unanointed high priests tending the world's most widespread, most tenacious

faith. The adherents of this universal belief numbered more than those of all the formal religions combined. In not one of the nations issuing paper money was there anything behind the crisp rectangles—except faith in the power of the colored paper and the nation issuing it.

The coterie, this brotherhood of money, has no trade papers, newsletters, or annual conventions. Because most of them are great international travellers, they are their own private news organization. For once, on this wedding dinner night, the coterie's basic business, the making of the world's paper money—some 50 *billion* notes a year, more than a *trillion* every generation—was muted.

There were some speeches, of course. The groom's father, Albert, spoke briefly, joyfully. Yes, it was true that Maurice and his very attractive bride, the former Miriam Eisner of Geneva—she had gotten a degree at the University of Geneva—would be living in New York for some time but really with modern air transportation New York had become a suburb, practically, of Lausanne or perhaps the other way around. And more. Ending with a Robert Louis Stevenson line "to travel is to know." ("Most of the guests who knew my father," Maurice recalled, "were really surprised because he never, never makes a speech.").

And there was the trim, determined and fit ex-Nazi Panzer major, Siegfried Otto, who had known the groom, Maurice, since he was an infant. For Maurice, Siegfried Otto had long been a wise uncle, an admired genius who had almost single-handedly restored the art of money-making in West Germany and was now entrusted with the printing of the solid, no-nonsense German mark, that glory of hard currencies.

He spoke of the heavy obligations Maurice had assumed as the third generation of his family making the marvelous stuff that gave visible meaning to paper money, the very special inks needed for banknote-making. He spoke in French, the dominant language of the wedding party, although most of them could slip into English or German with comparative ease. He spoke of how he had observed Maurice since birth and how he had matured and was now taking over his full role in the brotherhood of money by heading the latest out-post of the family firm, SICPA (Societe Industrielle et Commercial des Produits Amon). The new American plant was one of the ten that the firm had in eight countries; factories that supplied at least 75 countries with the magic money inks. He was sure that young

Maurice would uphold the solid traditions of the family: dependability and daring; soundness and imagination. And more. As Maurice later recalled, "a typical Siegfried talk, very serious." Siegfried's gifts to the new couple were matching wine goblets of gold and silver and a handmade cigarette box encasing on its cover an old, very valuable French assignat note of 1790.

The next speaker was scheduled to be Maurice's other great guide and inspiration, Gualtiero Giori, Rino to his friends. In many ways Giori and Otto are the matched opposites of the brotherhood. Both are brilliant, able, determined; both almost single-handedly created vast new empires in the hitherto tight little world of the money-makers. Both had been seared, nearly destroyed by the Second World War—Siegfried Otto was a decorated Nazi tank corps officer, later imprisoned by the Russians for some four years outside Moscow. Rino Giori had just entered the world of making money in 1939 because an emissary from Franco's newly-emergent government in Spain had come to Milan to have currency made for their central bank. Rino's father, the head of Calcografia & Cartevalori, was Jewish, but for the Spanish emissary it didn't matter. It was an Italian firm functioning in a fascist country so it was taken to be *friendly* .

Rino who was born of a mixed marriage, was baptized a Catholic but that didn't help when the Nazis took over Italy. Even though he was the main supplier of Franco Spain's money, he had to go underground. He enlisted a young Italian widow as his underground emissary. Maria Bassi's jeweler husband had been killed a few months earlier in an Allied bombing raid. The team she formed with Rino, reluctantly at first, was rather akin to the exasperation-hate-love sequence played through by Madeleine Carroll and Robert Donat in their memorable on-the-run adventures in that pre-war classic, "The 39 Steps." When the war was over, love had overtaken the other relationships and Rino and Maria were married. It was stormy at times but it also produced two children. Rino was now at the wedding with his third wife, Rosella Falck, a prominent actress in Italy's legitimate theater. But her appearance didn't fool many. Everyone knew that Rino was entranced with a much younger Tyrolean blonde, about 35, whom he probably was going to make Madame Giori in his fourth wedding, or possibly fifth marriage, a delicate problem.

And Maria, Rino's first wife—Mariuccia to her friends—was there with her new husband, an American. She was just past 60 when she

was visiting a woman friend in Palm Beach and met this tall, American widower, Isaac Berman. Many at the wedding were curious about Mariauccia's Ike, the rich American who had gone to Harvard-'29—made a lot of money and was an orthodox Jew.

There were other memories of the past, and of tangled personal histories at the wedding. There was Fernando Luis Gimeno Soldevilla, the general manager of Spain's banknote-printing works. Gimeno was the successor to that messenger of fate, Don Luis Auguet y Duran, the Franco emissary in 1939 who had first turned young Giori into a banknote maker.

The list of invited guests included Dan Burns, then head of U.S. Banknote Company of New York, the successor firm to Security-Columbian Banknote which had been run so successfully by the brotherhood's well-remembered rogue-buccaneer, Bill Hunt, the legendary Old China hand, the handsome hero of the Stanley internment camp run by the Japanese in Shanghai in 1941; the man who had nearly teamed up with Giori but didn't.

As everyone expected, Rino Giori didn't get to deliver his carefully prepared speech. He was dissolved in tears of joy, a most emotional happy fellow. But later when he recovered, he did give the groom a quiet piece of advice: "Maurice, remember, don't do what I did with wives." He also gave the couple a valuable 17th century silver candelabrum.

In the small world of banknotes, everything and everyone connects sooner or later. Little Albert, dapper Albert J. Avramow, the clever, dashing Bulgarian, the unlikely foreigner who had become England's—and De La Rue's—most successful banknote salesman in history, would have loved the party but he had long ago succumbed to fresh cigarettes, old Scotch and possibly too young a wife. But a month before the wedding in Munich where Siegfried Otto indulges his only real hobby—being the unpaid honorary consul of Mexico—Otto entertained a party of Mexican officials, including an attractive, slender Mexican named Suzy de Gilly, head of the European division of the Mexican National Tourist Office. Everything connects: Suzy de Gilly was Albert Avramow's first-born.

There were others who couldn't come, alas. Eric Gibbs, the legendary veteran of the banknote wars from 1905 onward, was 93 and not strong enough for the trip from his tiny village home in the Cotswolds. Edward J. Weitzen, the head of International Bank Note which controls American Bank Note, had to decline because he was

still recovering from a freak motor boat accident that had almost cost his life. Instead, his sister, Anabelle Model, executive vice-president of International Bank Note and the only woman in the coterie, was there with her husband, a New York fur buyer.

Also unable to come was N.P.Khrushkov, director of the Soviets' banknote-printing apparatus, GOSNAK, which had plants in Moscow, Leningrad and Perm. A very few members of the brotherhood had been able to visit the first two GOSNAK plants but Perm was off-limits to all foreigners, which naturally gave birth to interesting rumors. Khrushkov, who is 57, a stocky good-looking man, belonged in the brotherhood twice over: his father had been in charge of banknote-making for the Czar.

The Swiss and the coterie in particular are not given to whimsy or given to paying tributes to fate, which is why no one had even thought of inviting an ailing 75-year-old Hamburg resident named Bernhard Kruger. By right of achievement he belonged in the coterie. For 3½ years he had run the largest unofficial banknote-making plant in the world. During that time he produced $640 million worth of British pound notes, did it with makeshift materials, with green hands, some 140 Jewish concentration camp prisoners—bank tellers, linotypers, paper handlers, hair-dressers. And one professional counterfeiter. Major Bernhard Kruger had gotten the secret order—there never was anything in writing—only because the pre-war banknote firm of Giesecke & Devrient had resolutely managed to beg off from the secret assignment. If G&D had undertaken the job the firm would have been finished forever, probably. The coterie doesn't allow real rogues in its midst. If Giesecke & Devrient had been blacklisted after World War II, young Siegfried Otto, who had married a Devrient, might not have been able to start the firm over again, might not have become a titan in this tight little world. Surely something was owed Bernhard Kruger. But the coterie isn't given to sentimental whimsy. Loyalty, yes. Jim Conlan, the handsome, smiling New York Irishman who for ten years had been the head of America's great money-making plant, the Bureau of Engraving & Printing in Washington, would have been welcome, of course. He was quick-witted, amusing, bright, and in his ten years' suzerainty of the Bureau had turned out nearly 50 billion notes worth several *trillion* dollars, give or take a few hundred million. But Jim, as everybody knew, was embroiled with a U.S. Senate Committee intent on finding out if he, as a public servant, had been too close, too

buddy-buddy with American Bank Note. There had been three days of hearings in Washington and the word was that it was almost certain there was to be a grand jury indictment. Too bad.

Nor could Peter Orchard, head of Thomas De La Rue of London, the grand panjandrum of the money makers, make the wedding. Of course, he had long ago forgiven Rino Giori and Siegfried Otto for ganging up on him and taking away an old and valued De La Rue customer, Egypt. After all, he was now Rino's partner in a most profitable world-wide monopoly. Orchard would also be missed because the tall, red-faced Cambridge classics scholar was known to be a gifted coiner of limericks. His wife couldn't stand them but almost everybody else in the coterie loved Orchard's ribald five-liners. The coterie sympathized with Orchard's touchy business problem. For many years De La Rue had been the sole supplier of Iran's currency. It was going to be a long, delicate job for David Wilson Young, De La Rue's man in Teheran. The Ayatollah hated anyone who had been chummy with the Shah.

A surprising number of the wedding guests who weren't part of the banknote coterie had known the Shah fairly well from his frequent Swiss trips. They all agreed that he had a more handsome currency profile than the Ayatollah did.

The disco went on all night and the last guest didn't leave until 7 a.m., following a sumptuous wedding breakfast. Only then did the ten security guards, on duty all night, relax. The great unpublicized wedding—the great non-event—of the year was over. A non-event in more ways than one: a year later, in New York, the bride and groom were divorced.

Today the World, Tomorrow Even Laos

Nothing knits man to man like the frequent passage from hand to hand of cash. — Walter Sickert

The banknote world is the last great universal faith: its powers are unquestioned everywhere, its tenets upheld every second. The unordained become instant acolytes with ordinary cash transactions. The shopkeeper in Godthaab, Greenland, accepts the Danish Hundrede Kroner note with the calm confidence that he's gotten a fair exchange for the radio he's just sold. Equally assured is the Bengali trader in Goroka, Papua, New Guinea, when he pays a supplier with a 50-kina note. Gone forever are the nostalgic National Geographic days of cowrie shells, the round stone money of Yap, the razor-shaped coins of old China. Paper, intaglio-impressed paper rectangles, has won out decisively. The rest are in museums.

"Ready cash", "Cash down", are terms of poetic beauty, says Gunnar Andersen of Denmark's Nationalbank Banknote Printing Department. He is the banknote world's most lyrical enthusiast. With cash, with beautiful banknotes, "doors open up. Benevolence, submissiveness, politeness or the like of it flourish around you and you perambulate at ease through a world of smiles and bows. Goods are delivered with the speed of lightning. . .From hand opening up, into hand gently closing like a caress. No promises and no writing but sweet notes between fingers. This is bliss."

There are mean detractors who not only deny the bliss but insist on calling it "dirty money". Beyond metaphor they do have some biological verities going for them. A 1972 report to the *Journal of the American Medical Association* found that 42% of paper money

tested had 21 different pathogens, microorganisms that can cause disease. In the Philippines a medical investigator found cysts and ova of intestinal parasites on small denomination paper money. From 1912 to 1915 the U.S. Treasury even had a paper-money laundry for the greasy, honest-sweat encrusted notes returned by banks. And every now and then some hapless bank teller discovers she is allergic to paper money.

For nearly all of us, however, banknotes provide bliss, not disease; material pleasures, not staph aureus. Ask around. You know anyone who has chrematophobia, fear of money?

In all, a very nice business, says Gualtiero Giori whose very special printing presses make most of the world's banknotes, and "it can only get better."

He estimates that there is in circulation right now some 50 billion banknotes. On a quick-division basis—4½ billion people into 50 billion notes—the misleading answer is 12 notes or so for every human on earth. Great Britain has 34 notes per person circulating, the highest figure in Europe. The U.S. has 9 billion currency notes—worth $130 billion—floating around which comes to 40 per for each of us. Don't bother looking: you don't have them and I don't either. Trouble is an awful lot of our notes are outside the country. Particularly the fifties and hundreds. And some U.S. notes are in terribly unlikely spots. In Laos where the kip is supposed to be the national currency unit the U.S. dollar is the *only* money the Communist government recognizes. None of the currencies of the Marxist friends of poor Laos are acceptable. In Oct. 1981 a New York Times correspondent in Warsaw reported that "the dollar has become Poland's unofficial national currency". He quoted a governor of Poland's central bank: "There is about $500 million worth of U.S. currency in circulation here on any one day." Indeed U.S. notes are still the world's most widely used currency: the dollar is now used in 52% of world trade with the deutschmark a weak second at 14%.

The biggest banknote makers are pretty much the biggest nations, with the exception of China which has more people than any other country but only turns out, according to Giori, about two billion notes a year. India, with some 643 million people, makes more than 5 billion notes a year. He has to guess because India is almost as secretive on this as are the Iron Curtain lands. Next comes the U.S. which now is doing more than 4 billion notes a year.

Japan is good for 3 billion a year. The Soviet Union is also in the 3-

4 billion category. Great Britain makes some 1.8 billion; Italy about 1.5 billion. Also in the one billion-plus class are Brazil, Argentina, Indonesia and Spain. France and Germany do more than 700 million banknotes each.

In December, 1969 Mexico joined the growing ranks of the we-make-our-own nations when it opened a large banknote plant outside Mexico City. It probably does more than 700 million notes a year.

The great do-it-yourself banknote movement came after World War II, spurred by Giori's expensive machines. This meant that American Bank Note; De La Rue; Bradbury, Wilkinson; Giesecke & Devrient and Enschede—the great private note makers—inevitably lost some big customers. Fortunately these have been replaced to a considerable extent by the many countries emerging from "colonialism". Those that emerge into Marxism and a Moscow connection usually accept the advice that it would be wise to have the new notes done by a comradely plant in Prague, Czechoslovakia.

Also, there are delicate situations best kept in the family. When Huber Matos, a former associate of Fidel's turned against the Cuban leader because he feared the growing influence of Communists in the Cuban army and government, he was sentenced to 20 years imprisonment. That was easy. More difficult was eliminating him from the new national currency made by the dependable Prague plant. In the peso notes Huber Matos was the powerful man with the dark beard on Fidel Castro's left, holding a gun. The engravers of Prague managed to eliminate Huber Matos and replace the old issue so that the now inimical visage of Matos was no longer visible to every Cuban every day. (Poland, East Germany, Hungary and Rumania have their own banknote plants.)

The Bank of France note printing plant, outside Clermont-Ferrand, has its own kind of problems in supplying, at special prices, the banknote needs of twelve of the former French colonies in Africa. Every time a national leader is thrown out or murdered—not rare events—a vignette of the new maximum leader has to be engraved for a new currency issue. And the old notes have to be recalled so that the new non-person is truly gone.

Many of the newer note-issuing lands have other delicate currency problems. Their leaders sometimes propose to the banknote makers that they take their pay in over-run of the nation's new banknotes. Delicately, ever-so delicately, distinctions must be made between

merely lovely-looking cash and *hard* cash.

A tougher problem for the note makers is that the heads of the emerging lands often have only a primitive notion of the role of currency in a nation's life. When President Idi Amin of Uganda was told by his Finance Minister the nation was out of money and lacked foreign exchange for purchases abroad he bellowed: "Well, print more." The finance minister ordered more but that didn't help. No one wanted the new batch, either. When Amin was deposed the notes bearing his image had to be replaced with new shilling notes that now portray the Bank of Uganda instead of some possibly short-lived successor.

A veteran banknote salesman describes the current African situation for me:

"It's becoming like China was in the late Thirties and Forties. The great banknote sink. You need money? Make it! Sure they have to pay us in hard currency—please, no zaires, pulas, naira or ougiyas. And up front, if you don't mind. Still, it's a great bargain. We can give them $700 million worth of lovely new money and it might only cost them $3 million. The world's last great true bargain.

"What they don't understand—or more likely don't want to —is that the strength of any currency depends on the power of the local economy to produce goods and services. Or to spout lots of oil, gold or diamonds. Things that can get them acceptable international reserve such as dollars, pounds or francs."

He went on: They got caught up in the total "down with the old" mood of their independence movement. Anything to do with the old imperialistic exploiter had to go. No more pounds, or escudos. Those twelve former French colonies that elected to stay with the franc—and the generous terms given them by the Bank of France note plant—are lucky. They have a universally accepted currency. Liberia works more or less because its currency is still the U.S. dollar. But all the rest? They've got lots of lovely engraved paper that's worth even less than the cost of production. No one wants the paper, not even local governmental agencies. When you leave Guinea the airport departure tax of $8 has to be paid in something besides the local *syli* . In Tanzania hotels won't even accept local currency in bill payment. Kenya Airways, the national carrier makes you pay in other than Kenya shillings for drinks or cigarettes.

The note salesman had a theory. "Remember the old cargo cult of the south Pacific? They saw the white man's boats bringing all those

good things of western civilization during the years of imperialism. So the religious movement got under way. They believed the spirits of the dead natives will return with large cargoes of the white man's goods to be distributed only to believers in the new faith. They even built docks as their temples.

"Some of my African customers had also watched for years and saw how the white man's colored paper could buy things. Once they became independent they quickly got their own pieces of paper. True, they had to scrounge to get hard money to pay my firm but now they did have lots of money. They think the white man has tricked them. Why doesn't their paper buy what the white man's stuff used to? They say it's racism. I call it notism."

One former African ruler, Francisco Macias Nguema, the one-time President-for-Life of tiny Equatorial Guinea was almost as murderous a monster as Idi Amin. He had 50,000 Guineans killed, drove another 150,000 into exile and when he had to flee he decided he'd get even with the white men who had tricked him. Before he left he burned a great pile of banknotes: some $100 million in Guinean and foreign currency—just about all the cash in the country.

When Idi Amin couldn't get his note supplier to accept Uganda shillings in payment he asked that a separate issue of $2 million worth of Uganda currency be sent to his Swiss safe deposit box. "To the end he refused to believe that the stuff was worth no more in Zurich than in Kampala."

* * * *

In the following chapters I've kept the technical aspects of banknote making to a tolerable minimum but there are some necessary basics. Banknotes can be printed in any, or all, of three ways: intaglio, offset and letterpress. The best brief exposition of their differences comes from the handsome 1958 history of the American Bank Note Company.

A man wants to print an X on a sheet of paper. He starts with paper, ink—not liquid but thick like toothpaste—and a piece of some smooth washable material. Say a piece of linoleum. Now he can print an X on each sheet of paper in one of three ways:

a) He can make an X on the linoleum with ink, then press each sheet against it, renewing the ink as necessary. This is *surface* printing and the chief example today is lithography. Commercially, the paper is pressed not against linoleum but a stone, or more likely, a rubber surface and becomes offset lithography.

b) He cuts down the surface of his linoleum everywhere except where his X is marked. The X will then stand higher than the material around it. When he runs an inked roller over his work only the elevated X surface will be coated with ink. A sheet pressed down will touch only the elevated X. This is, in primitive form, letterpress printing, the traditional method. The woodcut and the rubber stamp are in the same family.

c) He cuts a deep X into the surface of the linoleum, the way you once carved initials in your school desk. He coats the linoleum with ink, then thoroughly wipes the ink from the level surface, leaving it only in the recessed cuts. When a sheet of paper is pressed down *very firmly* on the linoleum and into the carved X, this ink will adhere to it and be pulled out of the recess when the sheet is withdrawn, so that it remains an X with appreciable ink thickness on the paper. This is intaglio printing, the primary, the traditional form of banknote printing. It's infinitely harder than the other methods and calls for more elaborate equipment—and very special craftsmen, engravers, who do the initial cutting into the soft steel plates, instead of the linoleum of our example. Wedding announcements also use intaglio printing and as our fingers run over the raised ink surface we may, unconsciously, decide how much cash to spend on the gift. Intaglio comes with its own inbred conditioning. Banknote makers count on it.

Rino: He Freed the Slaves

The single-minded ones, the monomaniacs, are the only true achievers.—Peter F. Drucker

We must know how to perform the foolishness that our characters require.—Chamfort

Most superlatives elude Gualtiero Giori.

He isn't the richest man in the banknote world. Albert Amon, who makes banknote *inks*, has that distinction. (Giori is merely quite rich.) Nor is Giori the most energetic. That honor clearly belongs to Giori's old friend, associate and rival, Siegfried Otto, the head and chief stockholder of Giesecke & Devrient of Munich. And Giori certainly isn't the wisest man in the banknote world. He would be the first to admit that he's done a lot of foolish things in his time, leading, what another age used to call "an irregular life."

Nor is Giori the best educated. That distinction surely belongs to Peter Francis Orchard, chief executive at De La Rue, who took first-class classical honors at Magdalene College of Cambridge. And Giori can't even claim that his family has been in the banknote business longer than any other. Here, the winner is clearly the Enschede family which has controlled Enschede en Zonen in Haarlem for the past eight generations, since 1703. (Giori's family has been in the banknote business only 106 years.)

Still, there are some undeniable superlatives that remain for Gualtiero Giori, better known as Rino to his friends. He is certainly the most determined and the most innovative. His ingenious and very expensive machines—which 99.9999% of all of us cannot buy even if we had the money and the inclination—did more to change the staid old banknote world than anyone since some Sung Dynasty emperor introduced paper money about 1000 A.D.

Giori is also the frankest, the most outspoken. Not unexpectedly, he is also the most talked-about. Long before we met in Lausanne,

I'd been hearing Giori stories: wild, funny, unlikely. A surprising number of them turned out to be true.

* * * *

We are seated around a long mahogany conference table in the wood-panelled boardroom of Giori headquarters in Lausanne. He rents four floors in the turn-of-the-century building from his old friend, Albert Amon. Giori is 68 but looks younger. He wears a cream-colored shirt, embroidered initials, brown tie, brown-tinted plaid suit. The heavy eyebrows, prominent nose, sun-tanned strong face, would mark him in any crowded room. As we talk, he toys with a pair of heavy tortoise-shell glasses which he dons occasionally to read. His brown hair is combed straight back with a widow's peak in front and considerable graying at the fringes.

After apologizing for being unable to see me in New York a few months earlier, he starts his story at the beginning:

"In 1876 my grandfather, Dino Coen, founded a security printing works in Milan, Italy, called Officine Grafiche Coen. Mostly they did stocks and bonds and bank checks. He had two sons, Augusto and Renato, and one daughter. The two sons succeeded him in running the business." Giori waves vaguely toward the back of the boardroom where niches in the wooden panelling hold busts of his father and his uncle.

"My family had been in Italy many centuries. Originally, they were Sephardic Jews who were forced to leave Spain in 1492. My father was the first to break the solid, close-knit family tradition by marrying a Catholic. It broke his father's heart. My mother's family had been in textile manufacturing. Her maiden name was Giori."

Giori had a typical education of the males in his family: the equivalent of a high school plus a technical college. "I was a bad student. Too interested in chasing girls." Although baptized a Catholic, he still moved largely in a circle of weathy Italian Jews. "The Finzi-Continis," he says, refering to the prominent novel and subsequent film, "were my crowd."

In 1938 the name of the family firm was changed to Calcografia & Carte Valori; the Italian alliance with the Nazis had made the name Coen a liability. In 1939, a Spaniard, Don Luis Auguet y Duran came to Italy, a Franco ally, seeking a firm that could do the banknotes for the Franco government which had just beaten the Republican forces in Spain. As manager of the firm's security printing division, Rino Giori was placed in charge of the work. (This was the firm's first

banknote order).

"We were doing about two million notes a day at the peak. All our Spanish notes had Calcografia & Carte Valori in tiny letters at the bottom. Don Luis, a close friend of Franco's, knew of course of the Jewish background of our firm but that didn't matter to him. Assurance of steady delivery was more important. He never said why he hadn't turned to the German firm, Giesecke & Devrient but I could only suspect that at the time Spain wanted a 'semi-independent' supplier. We sent the notes to Franco by boat from Genoa. In a sense our notes symbolically represented the first return of the Jews to Spain after more than 300 years. Amusing, in a way."

Another reason for the selection of the Milanese firm was that it had two of the most efficient intaglio-printing machines then available. These had been made by a French engineer, Serge Beaune, who had in Giori's words, "invented the multicolor intaglio."

Up to then, intaglio printing, which creates a raised surface on paper through considerable pressure, had been largely a one-color-at-a-time affair. Consequently, it was slow and quite expensive compared to the more readily available offset lithography in which the image comes onto the paper flatly from a rubber roller. The Beaune machines were fairly fast but difficult to operate—encompassing a considerable waste of expensive paper.

Still, says Giori, it "was a revolutionary process and was faster than any known intaglio presses. In effect, then, our firm, Calcografia, had a headstart on the rest of the world of intaglio printing."

In 1939, Giori's father left for Argentina for racial reasons. Italy still was far from the murderous anti-Semitic measures of Germany but he thought it wouldn't be long before even Italy succumbed. By 1941, all the rest of Giori's family had fled Italy for Switzerland. (Rino's mother died in 1940.) In effect, Rino was left alone in charge of the large specialized printing plant with 1,100 employes.

Giori wasn't bothered because he was considered Catholic. And owing to a special decree covering many other sons and daughters of similar mixed marriages, Rino was allowed to take his mother's name, Giori, as his own, instead of the trouble-inviting Coen. The orders for Franco Spain kept on without incident until 1943 when the Germans took over the country just before the Allies landed in Sicily. Now the Nazi racial laws took effect and the fact that he was baptized a Catholic wasn't enough. Giori recalls "the strange episode" vividly:

"When I had to prove that I was not Jewish, the Italians requested a notarial declaration that I was not circumcized. Four witnesses were necessary to prove this. I saw our family lawyer in Milan to obtain this document. To my infinite surprise I was asked to expose on his desk, in the presence of himself and one of his employees, as well as two female secretaries! I shall never forget this episode."

Baptism and non-circumcision were not nearly enough for the Nazis. Didn't he have one Jewish parent and two Jewish grandparents? Giori suddenly became a non-person and since he was in charge of printing the currency of a loyal German ally, Franco Spain, he was also a potential danger. One who had to be deported immediately.

"On December 7, 1943 the SS encircled our factory in Milan to deport me . . . The officer in charge of the operation spoke German only and he was supposed to arrest Mr. Rino Coen. In the meantime I had changed my name. I was now called Gualtiero Giori. Gualtiero was my proper first name and Rino was my nickname (Gualtierino).

"The German didn't realize the one he was looking for was standing in front of him and he asked me where was Signor Rino Coen. I told him Signor Rino Coen was in Switzerland. He said this wasn't possible because they know he has come to the printing works in a Lancia car around 3:30 p.m. I insisted, so he asked to place a telephone call and, in German, he took information of the personal data of Signor Rino Coen, which he repeated aloud. Thus, I assisted the description of myself and I gathered that I was lost. But God was with me and little by little I started away from him, leaving him on the telephone. I was able to jump from a courtyard to another building which was not encircled by the SS, which enabled me to escape . . ."

It was the beginning of a dangerous, underground sixteen months. For Rino was not only intent on evading Nazi capture, but somehow also directing the plant even while he was on the run.

Rino didn't particularly want to talk of the underground months, so I went on to another source: Maria Bassi. In 1943 she was a recent widow, her husband having been killed in one of the first bombing raids on Milan. She had known Rino's sister who was then living with two small children in a house near Lake Como ten miles from the Swiss border.

The former Maria Bassi—Mariuccia to friends—is recalling the incidents of 1943-45 in the unlikely setting of a Harvard Class Reunion

in Cambridge. In a suite at the Sheraton-Commander Hotel I try to visualize this attractive, well-dressed 65-year-old woman as she was 37 years ago: probably striking, attractive, but not conventionally pretty. Today she quietly radiates an unusual combination of intelligence, sensibility and femininity.

One day late in 1943 Maria visited Rino's sister, who was anxious to find a means of sneaking over the border to Switzerland. While the women were talking, Rino came in, Maria recalls.

"His first words to me were: 'Why are you dressed in black?' I said my husband had been killed. He quickly brushed that aside: 'This is not the moment for mourning. Everybody has someone to mourn today.' Then Rino asked his sister if he could trust me. She said yes. Then he turned to me:

"'Are you Jewish?'"

"'I'm Catholic.'"

"'Do you have good papers'"

"'Yes.'"

"'Good. Then tomorrow you go to Milan. I have a job for you to do.'"

Maria, recalling the passage, shakes her steel-gray hair in disbelief at Rino's approach. "He had hired me even before I said I was interested in a job. He just assumed."

As it happened, she was interested. Rino instructed her to go to Milan and walk over to the doorman at the office building next to the Calcografia plant and just say: "What is happening to my friend?" Rino's first concern was to find out what had happened to his lawyer who was also a close friend. The lawyer had also been sought by the SS and had hidden himself for two days in the building's heating-pipe complex.

Maria's first secret mission wasn't a success.

"When I got to the doorman, I said, Rino sent me. The doorman said: 'Don't mention Rino anymore. Go back quietly.'"

She returned to Rino's sister's home near Lake Como. She found that Rino had left without leaving word for her. But a week later he phoned and asked her to meet him at a rendezvous near the lake. After that a pattern became established. Carefully arranged secret meetings at which she'd get instructions: who to approach in Milan; what to do. Nearly all of it involved instructions for his men who were still running the factory in Milan under the noses of the SS officers, ostensibly in charge.

Maria recally some of the missions: "I'd go to the Bank of Italy branch in Milan and wait for a special teller and I'd give her a banknote and ask: 'Are you Pina? I'm having trouble changing this note.' Then she'd return the note, folded over once. In the note would be typed answers to questions I'd given her on a previous visit. The teller was a sister of one of the secretaries who once worked for Rino's father. I'd see her at least once a week."

Rino was hiding out with families of old-time firm employes he knew and trusted. Since hiding him was dangerous—the SS had distributed photos of him all over northern Italy—he would never stay at a house more than seven days at a time. He was very mobile. All he had was a bike, a portable typewriter, a much-washed denim shirt and a pair of old trousers. His nomme de guerre was Carlo Bersani, which gave him the same initials as Maria's dead husband.

Then in 1944, Maria recalls, "I could see that the hand-to-mouth life of Rino's was going to kill him. Enormous tension was involved in every move. I got in touch with a lawyer I knew, a Catholic who had helped many Jews escape. He had a farm about 60 miles from Milan. I told him the desperate situation. He had an idea. He said: 'Don't tell me any more. I'd like to help *you*. I'll let *you* have an apartment. You can keep your clothes there but I don't want to know about anyone else who might live there."

She moved into the improvised setup in the small farmhouse near Varese. "By now the SS of course knew that there was some kind of connection between me and Rino, so they regularly visited my Milan home which was really the home of my in-laws. I hadn't been there in a long time. But my in-laws realized there was a price on my head, too."

They began using the lawyer's farmhouse as an underground head-quarters. "I knew the SS would check it out often and carefully, so I had to find a way to explain why Rino's clothing was around. I sewed my husband's initials into the suitable items." They needed a stable secret base because Rino was attempting his most audacious maneuver: somehow he had to persuade the German overseers to pack up the precious intaglio-printing machines and some related equipment and get it out of Milan to another location—one that was much less likely to be bombed than Milan. Working secretly with trusted aides still at the plant, the idea was spread to the Nazi overseers. In truth, it didn't need too much preparation: Milan *was* being hit and the precious banknote machinery might be smashed.

The machines were ordered taken apart, put on trucks and headed for a new plant the Germans had selected in the country. But en route the trucks managed to "get lost" and actually went to a hideout Rino had selected.

Thinking back on the operation, Maria says admiringly: "He's a great survivor. He's also a genius."

They had long ago fallen in love and life at the farm, when Rino surfaced was a series of romantic interludes, intensified by fear of unexpected SS searches. They stayed at the farm until the summer of 1945. Then they moved to Morazzone, nearer Milan, to her in-laws' apartment.

"We were married on July 11, 1945 in the tiny church of Morazzone. Everyone, all the 500 people of the village, were at the wedding."

Meanwhile, Maria had gradually gotten to know other members of Rino's family. "By the end of the war in April, 1945 they had started returning from Switzerland, like after a long vacation. There they were: well-fed, sleek, tanned and here we were thin, underfed and very jumpy. Instead of getting gratitude from his family for being brash enough to stay around to protect the family property, the big printing plant, all he got was: 'Rino, you must have been crazy!' . . Nobody thanked him."

The year 1946 was important for the young couple: their first child, Daniela, was born and Rino's father returned from Argentina where he had set up a successful knitting mill. "Europe is finished," he told his son. "Argentina is the country of the future." He agreed to support his son and his family until he found his own way in Argentina. Meanwhile, Rino's father had sold his interest in the family printing firm.

Rino, Maria and their daughter moved to Buenos Aires in 1947. "It wasn't a comfortable time," Maria recalls. "We lived on the small allowance Rino's father gave us. There were a lot of projects his father suggested that Rino looked into, but he wasn't really interested. He still felt that his future belonged in banknotes."

In their tiny Buenos Aires apartment, Rino continued his banknote world survey. He became convinced that the secret of success was a means of ending the monopoly on banknotes held by the dominant firms, American Bank Note, De La Rue, and Waterlow. "Only the bigger countries could afford their own banknote-printing works. All the rest had to be the slaves of the banknote firms, which developed

their own machines and kept them secret. Why should they help the slaves to freedom?"

To Giori, the answer seemed to be in further development of the Beaune machine he tinkered with in Milan at the family plant. If he could develop a fast, standardized machine, one that operated efficiently and at comparatively low cost, dozens of countries would be able to set up their own banknote operations, would be able to stop being totally dependent on the Anglo-American "monopoly."

Rino's father, Maria says, had little faith in his son's concept but he continued the allowance. Then in late 1948, Rino made a connection. It was a hanger-on who gave him entree to Juan Peron, the ruler of Argentina.

Rino recalls his first appointment with Peron. "I studied his political philosophy and it was nonsense. But Peron wanted his country to become a major international power and the way to achieve that was first to develop his nation's 'calling cards'—postage stamps and paper currency."

Peron admired Rino's "large views" and his "free-the-slave" philosophy. He gave Rino a ten-year contract to develop the intaglio machinery which would turn out a new, impressive issue of postage stamps and currency for Argentina. Under the contract, Rino was able to import all the machinery and the ten technicians he believed he needed.

Rino immediately made a deal to rescue one of the Beaune machines still in Milan. He was given a special section of the Casa Moneda, a huge palace that housed the country's mint and not-too-successful banknote-printing plant. One of the ten technicians that Rino imported from Italy was Ewaldo Gazzola, a former Isotta Fraschini draftsman who had worked with Rino in Milan.

Working quickly, the group rapidly made major changes in the Beaune machine—to make it more accurate, more dependable in being able to lay down five separate colors simultaneously in perfect register on a stamp or banknote.

The contract brought a noticeable change in the Giori family lifestyle. "Now we were able to move out of the tiny apartment into a comfortable house in the Buenos Aires suburb of Martinez," Maria remembers. The move came just in time, because their second child, Roberto, was born in 1949.

The machine's first product was a Universal Postal Union commemorative stamp, 25 cents, done in two shades of green. The

engraving for it was done by an Italian steel engraver, Mario Baiardi, later to become chief engraver of the Bank of Italy.

The stamp was much admired by collectors and by De La Rue. It was apparent that the machine developed by Giori had considerable significance for the banknote companies. Giori underlined this with selling trips to various South American countries interested in getting copies of the new intaglio press which then sold for only $130,000. An alarmed Bernard Westall of De La Rue felt it was time to come to terms with young Giori, who now held several key patents.

The early negotiations were hindered by a personality conflict between Giori and Westall. To Giori, De La Rue was still the enemy: he was convinced that they wanted to acquire his machine only to bury it so that the "slaves" of the banknote monopoly would never be freed.

An April 14, 1950 letter from Westall to Giori suggests the key point at issue:

"You will, of course, appreciate that the principle of the Serge Beaune is well-known, and, indeed, the original patent has expired, so that the general method of multi-color printing is now open to anybody. However, if we do not come to terms, and again if we decide to interest ourselves in multi-color printing, we shall develop it in our own way and with our own processes . . . The next point I want to dispose of is the suggestion raised in your letter that we might acquire the rights in your process and machine, but refrain from using it as much as we could. Our only object in endeavoring to come to terms with you is because we believe that there is a big future in printing Banknotes on your machine and I also believe that we shall be able to save money and that any royalty payable to you would be more than made up by economies . . ."

De La Rue proposed to buy one of Giori's machines at cost plus 20% profit. In addition, they would give him 2½% of the net cash received by them on all orders done on the Giori machine. They would also give him 50% of the profits of any such machines they sold in the future. And finally, a £5,000 (about $17,000) annual retainer for his "technical and commercial collaboration."

On the whole, not a disastrous deal. Westall invited Giori to London for further discussions. Maria went along and remembers the stay at the Savoy Hotel where De La Rue executives entertained them lavishly, even though England was still undergoing severe postwar rationing.

One day while Rino was away, Westall invited Maria for luncheon at the Savoy to persuade her to urge her husband to take the De La Rue deal. "He spoke of the financial security such an arrangement would offer not only Rino but his whole family; what a prestigious connection De La Rue would be for Rino, and so on. But even as he talked, I knew nothing would come of this big deal. If Westall believed even for a second that I or any woman could persuade Rino Giori on a business matter . . ."

Rino decided against the deal. He had already sold twelve of his machines to Argentina, Brazil, Chile and Colombia, and by now was convinced he didn't need De La Rue's terms. He could build his own manufacturing and selling organization for the machines.

Early in 1951 he decided to give a demonstration of his machine before an invited assemblage of key figures in the bank note world. He selected the industrial city of Alessandria, about 50 miles southwest of Milan. The selection wasn't whimsical: it was the location of the Mino machinery manufacturing plant which was making his intaglio machines.

Rino recalls the showing: "The banknote aristocracy came. They had been hearing about my machines, of course, but they came because this was the first time ever that a manufacturer *demonstrated* a banknote-printing machine. You must understand that up until then such machines were deep secrets held onto tenaciously by the monopoly firms. Why should they reveal secrets and break their hold on the countries that needed their banknotes printed?"

Today, the Alessandria demonstration evokes mixed feelings in Giori. He's proud that he had a public showing, that he broke the sacred tradition of secrecy, but he's still mortified at the comparative failure. "My ideas were good but the realization was bad." One Alessandria visitor recalls: "The machines kept breaking down and there seemed to be a hell of a waste of expensive banknote paper. The Italian technicians at the Mino factory were running around like a Marx Brothers comedy. I think most of the visitors wrote-off Rino's contraption and wondered what all the fuss had been about."

One who didn't was a quiet, slender 37-year-old visitor from Munich. His name was Siegfried Otto. He was quiet because former Nazi tank corps majors weren't popular in Italy then; and he was quite thin because he had lost 22 pounds from four years in a Soviet prison camp near Moscow and then as a slave mine worker near

Tula. He had cleverly managed to escape from Russa and was now striving against great odds to revive the banknote-printing firm of Giesecke & Devrient. It had been bombed out of existance in its original home in Leipzig, now in Russian-occupied Germany. Otto married Utta Devrient in 1943.

Recently, Siegfried Otto recalled the demonstration. "It was a very interesting machine but it was much too complicated. That caused the many breakdowns."

Somewhat diffidently, he introduced himself to Giori. A banknote man who was present vaguely recalls their "sniffing at each other like a couple of hostile pups. After all, the war wasn't that far back and Rino had been on the run from Nazi officers for nearly two years."

Siegfried Otto only recalls "that we hit it off fairly well. I told him his machine had great promise and that my firm would be interested in acquiring a few when it was perfected. I added, perhaps his big mistake was entrusting it to an Italian manufacturer. I felt that because it called for very rigid specifications and had to produce hairline color registration, he should go to a firm that had lots of experience with fine printing machinery. I suggested the firm of Koenig & Bauer of Wuerzburg in West Germany and offered to introduce him to Hans Bolza, the head of the firm."

Giori gratefully accepted the offer. By 1952 he had a contract with Koenig & Bauer which has since made all the Giori machines. To this day, Rino praises the firm lavishly. Rino's firm now owns 25% of K & B.

Once he had the Koenig and Bauer deal, Giori began to think more specifically of the future. He couldn't see operating worldwide from Buenos Aires. Where else? He remembered a couple of idyllic summers he had spent in Lausanne before World War II. His father had sent him there to learn French. Lausanne was also the home base of a friend who manufactured printing inks, Albert Amon. And finally, what could be more of an international base than Switzerland?

Maria recalls the way the move was made: "He phoned me in Buenos Aires. Very excited. He said I should sell everything, everything, and come as soon as possible to Lausanne. Get dollars, not pesos, he said." She did as ordered and sold the house, furniture, appliances, and converted everything into dollars. Then she and her two children flew to Switzerland.

There they first lived in two rooms at the Palace Hotel for a week,

but that was much too expensive. They moved into a tiny apartment in an office building Albert Amon owned at 4 Rue de la Paix in Lausanne.

Maria took charge of the tiny office Giori opened. His first outside employe was an unemployed journalist named Paul Hofer who was multilingual and handled the early brochures and mailing pieces Giori employed to sell the machines.

Hofer died a couple of years later and Maria became head of the slowly enlarging office staff. The family had also moved to a rented, furnished house in Lausanne.

The decade that followed was largely a catalogue of successes, marred only in Maria's eyes by Rino's extramarital conduct. "He is very charming but not a good husband. All through our marriage there were many other women. Still, we were married in the Catholic Church which says marriage is forever. Once when he came back from a trip to the Orient he told me: 'Maria, you are my wife, mother of my children, but I must say, I'm sorry the world didn't stay polygamous as the old Orientals used to be . . .Wouldn't it be simplier if I was allowed to have other wives simultaneously . . . I'm sure my ancestors must have been polygamous. It's in my blood.'"

Finally in 1962, the Gioris secured an annulment of their marriage. It took a lot of doing but it was necessary because Rino was having a long-term affair with an attractive European woman he had met in New York. The affair went on for several years, but they never married. Rino, who is remarkable frank about his private life, talked about the relationship but asked me to exercise "a measure of discretion" because there may be some emergent legal problems. Still, he considers it the second of his marriages.

* * * *

The Rino-Maria divorce had what may have been an unfortunate sequel. In 1963, one year later, their firstborn, Daniela, was in London on a visit. She met someone in the diplomatic corps, fell madly in love and married. She was 17. She subsequently had two children, was divorced, and now lives in Lausanne with them.

In the late sixties, Rino met the woman who was to become his third wife in 1970. She was Maritza Jancoski, a Polish Jewess living in Rome. She was quite attractive, even if rather plump. He was madly infatuated, Maria recalls. (Maria continued living in an apartment in Lausanne but kept on friendly terms with her ex-husband. She explains the complicated relationship: "I'm still Rino's best

friend. He still calls me before he takes a new wife.")

"Mostly, Rino tried to remake Maritza. Made her lose weight. Took her to the designer shows, picked out her clothing, her jewelry. He was Pygmalion fashioning a reluctant Galatea. In the end it didn't work and they were divorced in 1974. Then in 1977, again in Rome, he met Rosella Falck, a prominent Italian stage actress about ten years younger than he was. She is still his wife, although they haven't been living together for some time."

In the winter of 1978 Maria accepted an invitation from an old friend living in Palm Beach, to spend the winter with her. The friend had an apartment in a condominium building. In the elevator one day Maria met another building resident, Isaac Berman, who had recently been widowed. Maria then didn't speak any English and Ike no Italian. They conversed sonehow in mangled French. They walked along the beach, went to some movies, had dinner together and fell in love. They were married on April 8, 1978 in a civil ceremony which Ike wrote.

Berman is 6'2", slender and topped with a fringe of white hair. He's Harvard '29; worked his way through, the last two years teaching Hebrew. He was one of ten children of a Boston Jewish ironworker and when he graduated he took a long time finding himself. "Between 1930 and 1936 I had fifteen different jobs, none of them great. Everybody said I ought to be a lawyer, God knows why. So I went to night law school at Northeastern University. That didn't help much either. In 1939 I got a sales job with a stapling machine factory. Only so-so but that led to my becoming a distributor of stapling machines during the war and after, to a fairly large operation, Alles Corporation—alles means everything in Yiddish—which I worked up to the largest distributor in the U.S. of shipping-room supplies. My two sons now run it. Does about $10 million a year."

He was married twice and both wives died of cancer. His second wife in April, 1974. "I had been nursing her for the last two years and when she died I had complete battle fatigue. I had lost 25 pounds and was in a deep depression which it took me four years to overcome. I was living in my place in Palm Beach in 1978 when I met Maria and you know the rest. The big change was that when I recovered I became truly orthodox, which I hadn't been before. I pray every day with tallis (prayer shawl) and phylacteries. I observe the Sabbath. I told Maria all this before we got married and I asked if she could keep a kosher home and she said yes."

Maria recalls: "When we decided to get married I phoned Rino. He was astounded. He never expected me to marry again and here I was doing that at 62. He wished us all good things and sent a cable which read: Mariuccia you deserve the Medal of Valor . . . I would not be where I am today without you . . ."

They went to Lausanne to meet Maria's children and Rino. Ike remembers when he was taken to Rino's office. "We're waiting in his private office for him, and a man pops in, without tie or jacket, sees me and runs out quickly . . . I thought I had pulled some gaffe or something, but Maria reassures me. 'Don't worry. It's just Rino's way: he has to be prepared socially or he's terribly uncomfortable.' Sure enough, he came in a few minutes later in tie and jacket, and was very gracious and congratulatory and all that. Then we're invited for luncheon at his house in Lonay to meet Rosella, his then wife. We sit down at the table, I put on my yarmulke and Rino assures me, 'Don't worry, Ike, everything is kosher here today.' Later, we were talking with Rosella who is friendly with Maria and she says to us: 'Things haven't been going well with us. Who knows? I might be thrown out tomorrow . . .'"

Maria and Ike spend six months a year at her home in Ischia, and six months at his Palm Beach apartment. They get along in an English-French patois, while Maria keeps taking English lessons. Though oddly matched, they seemed like an extraordinarily happy couple. Ike told me: "Mariuccia caused a lot of talk at my Class '29 Reunion here in Cambridge, our 50th. She was a big hit . . ."

* * * *

Rino drove me in his Silver Shadow Rolls from the office in Lausanne to his magnificent home, an 18th-century style manor house in nearby Lonay-sur-Morges. In fact, he prefers a Mercedes but not long ago that car was stolen in Milan. The gates to the estate are controlled by a device in the car and we roll up to a two-story bandbox house with a stone-and-stucco exterior.

The house once got a gushing five-page treatment in a popular French weekly, *Jours de France* . Excerpts:

> Mr. and Mrs. Giori entrusted the transformation of their classical Swiss early 20th Century house into a classic 18th Century style manor house to M. Andre Gignoux of Jansen. The house and its land live in perfect harmony with the pretty village and bell-tower . . . In the library, natural oak wainscoting, Regency armchairs. The two-toned wooden

> flooring is typically Swiss . . . In the living room 18th Century Florentine lacquered cabinets . . . in the dining room magnificent Venetian wainscoting forms a backdrop for the collection of Saxe porcelains, the Meissen chandelier, various art objects and china pieces laid out on a heavily sculpted and gilden Regency console table . . . the poly-chromatic living room scheme with herringbone sculpted velvet sofas and printed heavy linen drapes . . . the walls of the bedrooms are covered with linen damask and fine painted panelling . . .altogether the house is warm and gay due to elaborate color harmony and happy marriage of painted wainscoting and rustic fabrics . . .

Personal observations: not only are the guest washroom fixtures goldplated, but so are the casual nearby accessories, comb and brush. The guest bathroom is about the size of an average bedroom . . . The library-sitting room where we take drinks—a uniformed houseman is in attendance—has library shelves fitted with sets, of leather-bound volumes: Voltaire, Rousseau, Encyclopedia Italiana, Britannica . . . I didn't get the feeling that this was a house where books were read regularly and casually. The walls display several good oils: Sisley, Van Dyke, Renoir and a Zuccarelli.

While we were still talking at the office, Giori filled me in on his personal life, in preparation for meeting his current house guest.

"Some men," he began, "collect cars or paintings. I collect wives. I'd had four so far and maybe one more is ahead . . .It can be an expensive hobby but I enjoy it." I mentioned an acquaintance, a writer, who had been married four times and each succeeding wife looked remarkably like the previous one. "Not me," Giori smiled. "My collection is *very* different." He drew a deep breath. "So is my problem." He assembled his rebuttals of the obvious:

"Oh yes, people say, you know, Rino, today not everybody runs off to get married, pronto. And I have to say to them: I know, I know, but my problem is a peculiar one. Just a succession of girlfriends-of-the-year is not the answer. I have a lot of social occasions, a lot of entertaining as part of my business and the woman at my side has to be Madame Giori. She can't be just Lulu or Bebe . . ."

I looked a question.

"Why not?" The schoolmaster rapping the knuckles of the dullard. "Why not? Don't you understand that central banks and central bankers are very, very conservative. When we discuss fine, expensive machinery for the making of banknotes, the atmosphere must be

serious. There is no room for the frivolous . . . No, really, when you have considered everything, probably the best way for me to be together with a woman I love is marriage. Expensive but. . . "

His house guest enters the library and I am introduced. Marina Winter is about 36, I surmise, but looks somewhat younger. Very chic, very slender, very blonde, very tan. The soft suede jacket and slacks slither agreeably. (I heard that they met at a dinner party and that she is from a rich Austrian family that made its wealth in junk jewelry.) She's still holding a copy of *The Great Gatsby* she's been reading and for a wild moment I imagine she is going to draw a parallel between our host and that anti-hero of the Twenties.

But no: "Have I read the book? This matter of West Egg and East Egg? There are names like that in America?" She's been to New York many times, but, really, names like those . . .

Rino apologizes for not joining us in a pre-luncheon drink. His stomach was upset last night from the two Scotch sours prepared by his butler. Still, he did his early morning exercises, as usual. He has a small gym upstairs: parallel bars, barbells, skipping rope. "I'm an early riser. Every morning, one hour of exercise . . . I'm also a bad golfer."

I ask about his Swiss citizenship. "I *adore* Switzerland. So well organized . . . so secure . . . so unique. I made the perfect choice in 1951. But to become a citizen, that's different. You have to show you are *very* serious. First you need twelve years of residence. You make a formal application and then you wait two years while you are checked out. Every detail of your life is reviewed; your conduct is minutely observed. There's a special police unit that handles this. Friends and business associates are interrogated and they warn you, Rino, no nonsense during the checkup. But I didn't give a damn. My son Roberto is an officer in the Swiss reserves. He's serious. I'm serious. What can they find out about me? . . . "

Since we were on the Swiss, I ask about the significance of the figure of the Grim Reaper on the back of the Swiss 1000-franc note, the highest-valued piece of currency in the world (then worth about $640). Giori grins: "That was to remind us that money isn't everything. But now they're bringing out a new 1000-franc note"—he takes one out of a wallet—"which shows a vignette of Auguste Florel, the great Swiss entomologist . . . and on the back are these finely wrought little . . . ants. And do you know why we have ants on the back of our 1000-franc notes? To remind us and the rest of the

world that if we don't mend our ways the ants are perfectly capable of taking over the world."

This was the appropriate segue for noting that he seems to have prevented the world domination of the British and American banknote makers by spreading his machines around widely. He nods: "All over now. Russia. China. They love our machines." He recalls the first of many visits he's made to China since they bought one of his machines.

"The usual elaborate dinner at a round table, and I ask my interpreter in a very nice way: What is your banknote production? How many do you make a year? He transmitted it to the next man and all around to the twelve at the table, and finally it got to the man on my left and he turned to me with the official inscrutable smile: "I'm sure I don't understand your question."

Giori found out another way. "They do about two billion notes a year, which is very little for a population of a billion plus. Ordinarily, you plan on having 10 banknotes a year per person, including children, in order to have reasonable clean banknotes circulating. In England the figure is 34 per year. The Chinese have this large plant near Peking. There are two other minor plants and they have about 6,000 employes in all. I've been there five, six times. They've bought $5-6 million worth of our equipment for banknotes and postage stamps, and we trained a lot of their people for nine months in Europe."

(Later, in another European country I talked to a retired banknote man who had asked me what Giori said of his Chinese selling trips. I told him. He laughed explosively. "What Giori didn't want to say was that between the Chinese and the Japanese, he got what you Americans would call a royal screwing from the inscrutable Orientals.

"Each country bought a single version of each Giori machine for banknote making. Then they put their best technicians to work to copy the Gioris. They did very well, too. The Japanese made about 16 copies on their own. The Chinese made 28 by themselves some time ago. Last year, when Giori went out to Peking to sell them some of his more recent models, they were very polite and wined and dined him splendidly, but on his last day they said, No, thank you, M. Giori, we don't want to buy any more of your machines. Why don't you just send us the blueprints?")

Giori is also a welcome guest in Moscow. "The Russians do 3-4 billion notes a year. They're still using machines from the Czarist

period, the old Orloff machines. They also have a lot of our machines."

During luncheon—two uniformed waiters—he expatiates on a paradox in the banknote world: "The Communist countries always start off by saying in their perfect system there won't be any need for banknotes. The State will provide everything without the money nexus. Soon, that nonsense vanishes and they start making banknotes and they give them great respect by making them the best way, with intaglio presses, the proper way. But look what's happening in the capitalist countries. For the past year the Bank of England, the great pioneer of intaglio banknote printing, has been doing the backs of notes in cheap offset. Of course, offset is cheaper, about a third cheaper, but think how severely you downgrade the security of your banknotes. Any neighborhood printer can do offset."

Rino naturally considers it a dangerous trend. Thailand and India have also begun doing the backs of lower-denomination notes in offset too. I murmur that, after all, most people never look at the backs of low-denomination notes, anyway . . . He shakes his head sadly: "No, it is a very dangerous beginning; you just invite trouble that way . . . Isn't is remarkable that the Communist countries such as Russia and China are the firm upholders of the prestige of the properly printed, intaglio banknotes . . . And it's the Western world that has started losing respect for the banknote."

In 1965 Rino finally came to terms with his old enemy, De La Rue. Over coffee he explains:

"De La Rue came to me again around 1965. The world market was then divided roughly two-thirds to the Giori machines and one-third for De La Rue which had an intaglio machine but essentially a one-color device. Ours, of course, was multi-color, so ours was 40-50% more expensive. Still, De La Rue was a very strong company with a lot of push. I was then only 52 but I had to start thinking ahead to the time when I wouldn't be around anymore. My son Roberto was then 16, much too early to tell if he would be interested in carrying on the business. Also, when you're a special man you can't transfer your drive and intuition to another. Roberto is now with me in the business and doing very well, but fourteen years ago there just was no way to prophesy. There was another consideration: if we joined forces with De La Rue, between us we would have what amounted to a worldwide monopoly on the multi-color intaglio machines and other equipment for banknotes and postage stamps."

The agreement reached in 1965 provides for a 50-50 partnership between De La Rue and Giori through a corporation, De La Rue Giori S.A. Giori is chief executive officer as well as chairman of the board of directors. The other directors include three De La Rue men, including Peter Orchard, president of DLR as well as Roberto Giori, Rino's 31-year-old son. Scattered around on the organization chart is another Giori (Fausto), another Coen (Giorgio), Rino's nephews. The merger did produce a near-worldwide monolopy. The only existing competition is furnished by another German machinery maker, Goebel of Darmstadt, which manufactures an intaglio multi-color machine featuring web-fed presses. That is, the paper is fed from a huge roll, as newspaper presses are. Giori's presses are fed automatically by large sheets of banknote paper which can accommodate up to 50 notes per sheet. The Goebel machine was developed essentially by the Bank of England and a brilliant printing engineer, Peter Price, who is now a banknote consultant to several countries. The best estimate is that Goebel has about 5% of the world market, leaving the rest to Giori. For a time, American Bank Note was in the field, too, with its Magna intaglio machines but they weren't too successful and in 1978 American Bank Note sold its interest in the device to De La Rue Giori which does not intend to manufacture them.

The 1965 agreement between Giori and De La Rue came as a stunning surprise to the rest of the banknote world because it followed by only two years one of the bitterest conflicts between Rino and Peter Orchard, the head of De La Rue. The subject: Egypt.

In 1964, Rino explained, the Egyptians had approached his firm on the possibility of setting up a plant near Cairo for the manufacture of the country's banknotes and stamps. It no longer wanted to be dependent on its current supplier, De La Rue, or a previous one, Bradbury, Wilkinson. The negotiations were conducted secretly—until De La Rue got wind of them. The loss of an important customer to the hated Giori called for strong, even underhanded, measures.

Rino laughs at the contretemps now, although at the time he was angrier at De La Rue than he had been at the Nazis in Milan in 1944. "De La Rue just passed the word on to their Swiss agent that I was Jewish, and he passed it on to the Egyptian negotiators. How could Egypt, the sworn enemy of Israel, make a deal with a Jew? De La Rue, of course, knew that I had been born and baptized a Catholic; that my son Roberto was a practicing Catholic, but that didn't matter

here. If they could only plant a seed of suspicion . . ."

Planted, it grew with hothouse speed and threatened to kill the $4 million deal. Then, Giori decided on a counteracting strategy: you fought name-calling with more of the same. If Egypt couldn't countenance a major deal with a firm they were led to believe was Jewish, wouldn't they be overjoyed if the deal was seemingly headed by a good, solid German, one who had been an officer in the Nazi Panzer Corps? He called in his old friend, Siegfried Otto, and enlisted his help. Now Giesecke & Devrient would be ostensibly making the deal with Egypt. Admittedly, Giori machines would have to be used, but they would be supervised by technicians selected by Siegfried Otto. Honor was saved: Egypt had foiled the Jews again.

Rino Giori recalls the aftermath: "We signed the contract in 1964 and the plant was completed in 1968. It's a two-story building on the righthand side of the road leading from Cairo to the pyramids. They're now doing 100 million notes a year. I would say the plant cost them about $4 million, but to reproduce that plant today, I think would be $20 million, so they have a bargain."

I asked how much Egypt was saving by making its own banknotes. He shook his head: "Nothing, really. Egypt's costs are about $20 per thousand notes. And they had probably been paying De La Rue and Bradbury the same. So what is the big advantage of having your own banknote plant? First, you have independence and total control of your currency. Secondly, you save greatly on foreign exchange, a very important consideration for many countries. And lastly, you create lots of local jobs. The Egyptians employ 800 people at the plant. Here in Switzerland I'm sure we could turn out 100 million banknotes with perhaps 80 people, but that's not the point. There's almost no unemployment in Switzerland. There's much of it in Egypt."

The Giori-Siegfried Otto combine also set up banknote plants in Burma and Zaire. "It all worked out very well," Rino says. "As a result," he smiles, "sometimes Otto is called the Giori of the north."

(Several days later when I was in London, I asked Peter Orchard, De La Rue's chief executive, about his role in trying to torpedo Giori's Egyptian deal. I expected some kind of diplomatic denial but Orchard laughed lightly: "So the first thing Giori does is go get himself the biggest Nazi out. Anyway, that's what he told me." Later he called Otto, "that SS Panzer Colonel, he once led 26 tanks in Europe on the eastern front," and then abruptly cut himself off with:

"Ah, the hell with the past.")

In our continuing conversation I told Rino that I first heard about him in 1958. An old friend, Tom Waage, who was then an officer of the Federal Reserve Bank of New York, met Rino that year at the meeting in Rio de Janeiro of CEMLA, the Latin American Center of Monetary Studies, which represents the central banks of the region and meets every two years.

CEMLA had invited the leading banknote makers to make presentations. The fact that Giori was included was a clear indication that even by 1958 he was recognized as a coming force.

My friend recalled Giori's performance at the Rio meeting:

"First, he let De La Rue knock American Bank Note; then he let Guitard of the Bank of France knock both private companies. Giori smiled patiently while American Bank Note's Murray Wise knocked out the De La Rue claims made by Peter Orchard. Then Giori said, in effect: Gentlemen,I dare not disagree with any of these charges or counter-charges. Meaning, of course, that only the notes made on *his* presses were left without peers or enemies.

"I remember telling some people at the CEMLA meeting that Giori is going to be haunting the banknote companies a long time. He'll let them knock each other off in a price war and while they're still snarling, he'll be picking up one country after another, persuading them to make their own notes on his wonderful machines. Then suddenly the banknote makers will look around and discover there are no more banknote customers, just as the Swiss discovered in the 18th century there was no longer a market for mercenaries—except at the See of the Prince of Peace."

Before the end of the CEMLA meeting, Giori gave a great party at a magnificent, quite breathtaking home outside Rio, high on a cliff overlooking the great bay. My friend who had attended, remembered that he and several of his colleagues were mystified by the feeling they had that they had seen this home before. . .

I asked Giori if he knew why they had this impression. He had no idea. He had borrowed the home from a Rio banker who was also a friend. It had been a very lovely party but he didn't understand why they felt it was hauntingly familiar.

Did he remember seeing the film, "Five Fingers?" The Rio house was the one used in the film. It was the house that James Mason, as Cicero the valet-spy, fled to after his last theft of top-secret material from his employer, the British Ambassador to Turkey. And it was in

this spendid house, according to the film where Cicero lived after having been paid-off in pound notes counterfeited by the Nazis in the biggest operation of its kind in history.

Giori was delighted. He hadn't known of the connection. But he was sure that some of his guests at the party must have thought that he had known, had deliberately chosen the house because it would underline the importance of having the finest Giori equipment for making your banknotes, if you didn't want them counterfeited. He smiled wryly: "So all this time some of those men have been giving me credit for a subtle coup which I didn't even know I was making. And now in your book you will disillusion them . . . what a pity."

To make up for *that* he felt it was only appropriate that I get an idea of how far he had really come since that Rio meeting in December, 1958. Later that day he turned me over to Werner Muller, vice-president of De La Rue Giori and its administrative manager. Muller is a very dignified, white-haired Swiss who got into the banknote business because of geography. In 1951 he took a job managing a Swiss company in Viet Nam. "Mostly Swiss watches and textiles. Then De La Rue came around and asked if I'd be interested in trying to sell banknotes locally, as their agent. I managed to sell Cambodia, Laos and Viet Nam central banks. We were competing with American Bank Note and with Bill Hunt of Security-Columbian, but really, it was no contest. De La Rue was terribly competitive and they always came in much cheaper than American Bank Note. Once Bill Hunt got a piece of the Viet Nam banknote order but he had to bribe Madame Nhu for that. Viet Nam was ordering 500-600 million notes a year. By 1965 we could see the way things were going in Viet Nam and I decided to liquidate and sell out. In 1967 I left for Switzerland and was asked to join De La Rue Giori and here I am."

He had assembled some figures for me. "So far, we've sold 801 of our banknote machines in 51 countries, from Algeria to Zaire. If you figure the current average value of each piece of equipment is only 3,150,000 DM (about $1,732,000) then we would have a grand sales total of 2½ billion worth of Giori equipment sold. But, of course, many of the 801 pieces sold at lesser prices in the past." (My own estimate is that Giori has sold about $1¾ billion worth of his specially-designed equipment to central banks and private banknote makers since he began operations. In November, 1980, Giori sold two of his top-of-the-line high speed money presses to the U.S. In the Spring of 1982 the new machines began making 256,000 green-

backs an hour compared to the present 128,000 an hour rate.

Today's prices are impressive. For example, the top-of-the-line item, the Giori Super Intagliocolor Press would cost you about $2½ million but the chances are, unless you were very special you couldn't buy it at any price.

"We have to be *very* selective, very careful," Muller explains. "You must understand that checks and bonds and that kind of security paper can be printed much less expensively on other printing machines. So when we get an order from a private firm for one of our big items, we naturally first inquire at the country's central bank: what goes? Who are these people and why do they need an expensive machine for direct plate printing? After all, direct plate is intaglio printing and that can only mean banknotes . . . You don't use one of our presses to run off business cards or wedding announcements . . . In effect, then, you couldn't buy one of our machines unless you were a central bank or an established banknote manufacturer. Secondhand? Almost none exist. Koenig & Bauer are marvelous machine-makers and sometimes we ruefully think they're *too* good. Normally, one of our machines is good for 15-20 years on one-shift operations and at least 10-12 years if used round-the-clock on two or more shifts a day."

We got off into a discussion of counterfeiters and Muller said the movies perpetuate a lot of nonsense. "The crafty criminals are always after 'the plates' with which they can run an enormous counterfeiting operation. Such nonsense! Even if you had a fine set of engraved plated, the problems ahead of the criminals are so great, so expensive to solve that their chances are nil. That is, if they intend to replicate intaglio printing. If they're going to do the money in offset, as all counterfeiters do, why, that's another matter. So for the most part they turn out inexpensive banknote reproductions which can never have the feel or look of real money."

I asked how much it would cost to create a new and modern banknote printing plant, capable of turning out, say, 200 million notes a year. "For machinery and equipment alone, at least $13,750,000. For the building itself, with all kinds of security built-in, at least another $13-14 million, minimum. And since you have to plan right from the start for additional space for future growth, I would say that a new plant would call for a minimum investment of $33 million at least. It costs a lot of money to make money."

One of the few great nations that has resisted the lure of the Giori

machines is France. "We still keep after Jean Chanel, the Director General of the Bank of France banknote-printing works. After all, they do the notes not only for France but or all those former French colonies in Africa: Cameroun, Chad, Gabon, Congo and the Central African Empire, as well as the Banque Central Africa Occidental which does the notes for the Ivory Coast, Benin, Upper Volta, Senegal and Niger. But they give us one excuse after another. I suspect the real problem is the French hate to admit that France couldn't produce its own fine, modern intaglio-printing machines. So they use the old Serge Beaune machines which are very slow and consequently they have to run them round-the-clock."

Giori also had a nationalism problem with the Soviet Russians. Muller explains: "They have 24 Giori machines for making banknotes but nine of them bear elaborate labels calling them 'Orloff Intaglio.' They're exactly like our Giori Intaglio, but we had to indulge them and go along with the charade. (Orloff was a Czarist Russian engineer who invented an early intaglio-printing machine.) So we carefully made some Orloff Intaglio nameplates and screwed them onto our Giori machines. Now they can say everything is Russian here. We're glad to make our customers happy."

Rino Giori was leaving that afternoon for a trip to the Warsaw banknote-printing plant—Poland has 16 Giori machines of various types. He had time for some final questions.

Earlier, I had asked how many banknotes a year are produced in the world. He worked up some figures. "The total world annual production is close to 50 billion notes." He laughed: "We have a very nice business. And it's growing—about 15% a year." There were still a lot of smaller countries without their own banknote production but he hoped to sell many of them before he died. After all, if little Ireland with less than 3½ million people could afford its own plant with Giori Intagliocolor Press, a Simultan (for background tints) and a Numerota (for numbering and text imprinting), surely lots of other small countries could.

Giori preferred not to talk about another nation on the verge of getting its own banknote plant: Iran. When the Shah was still in power, the Giori organization negotiated a contract to erect and equip a seven-story banknote plant for the Iranian central bank, Bank Markazi Iran. After the revolution struck, only four stories had been completed. The plant remains unfinished and some $15 million worth of fine Giori equipment is awaiting unpacking in Teheran. The

trouble is, De La Rue has been paid for very little so far and the chances grow dimmer as the Ayatollah talks steadily of repudiating all foreign debts. Meanwhile, De La Rue Giori, which had been printing Iranian notes, is reduced to overprinting the old Shah notes heavily so that his engraved protrait is effectively covered with revolutionary slogans in Farsi script.

* * * *

Everyone asks Giori when it will be possible to make banknotes out of plastic instead of fine rag paper. "Everyone has *tried* to use plastic. It would last longer, much longer, and I'm sure there are those who suspect that banknote companies aren't really interested in making notes that would last *too* long. The real problem is that plastic is impermeable: it cannot absorb the ink pressed deep into it as intaglio printing does on fine paper. Still there a lots of experiments going on and I'm sure our machines could handle plastic if necessary."

After he left I wandered around the fourth floor executive suite of De La Rue Giori. The atmosphere was remarkably low key—when the key men are on the road, as they often are, their secretaries are allowed to take time off—and I had a chance to talk to Giori's longtime private secretary, a comfortable middle-aged woman, Jacqueline Daunas. She stressed that her boss was a perfectionist. She explained why he didn't want to talk in English during his talks with me. "He hates to speak English because his isn't perfect enough for him. Actually, he's fairly fluent. He insists on the best quality, first-class, in everything. Even though he had a professional decorator for his home, still he personally chose all the furniture and decorations, including the oils, in his home."

Another woman employe, during a leisurely coffee break, talked about Giori's current troubled fourth marriage. "They're both wonderful people, but the trouble is they're both too independent. So . . ."

In the entrance hall to the executive suite a visitor is attracted to a huge, glassed-in collection of samples of every banknote that has been made on Giori equipment, including those of China and Russia. In the center of the collection is a one-inch-thick polished brass plate with an equilateral triangle in the middle. It contains the Giori corporate symbol, the flying horse; the De La Rue symbol—a black profile of the first De La Rue, Thomas; and the traditional marker of the Koenig & Bauer firm: O/O. In the center of this collec-

tion of corporate symbols is: Omne Trinum Perfectum Est, or All Triangles Are Perfect. An old Giori friend who saw the Latin tag once said it might apply to Giori's business life, but never to his private one.

* * * *

In October, 1980, Giori married Marina Winter, his attractive Austrian houseguest at the time of my visit.

The Dollar Makers

Go out and fight so life shouldn't be printed on dollar bills. — Clifford Odets (Awake and Sing)

On Thursday morning, May 3, 1979, the tight little banknote world got one of its very few official airings. It came during the second day of hearings conducted by the U.S. Senate's Permanent Subcommittee on Investigation. Just how close were the relations between James Conlon, former Director of the U.S. Bureau of Engraving & Printing and the American Bank Note Company for whom he was now working at a salary about twice what he had made in Government service? Here is Conlon describing the international banknote world:

> . . .there is a relatively small community of people who are internationally familiar . . . people with whom we have a great deal of dialogue . . . the relationship which has historically existed within the community of banknote printers . . . In this banknote security printing environment private sector firms are considered very very close with the national organizations (such as the Bureau of Engraving and the Bank of England Printing Works) . . .

Senator Nunn: Is it basically all one family?

Conlon: Yes, it is a close community . . .

Thomas E. Gainor, 1st Vice-President of the Federal Reserve Bank of Minneapolis, enlarged on the closeness.

> Banknote printers in other countries meet periodically and try to establish a cordial working relationship because they ex-

change information that would be considered privileged to those outside the banknote printing fraternity.

Conlon helped make the banknote printers even closer. Since the end of World War II there had been biennial meetings of the European Banknote Conference. Attendance was by invitation only and those invited included only European State banknote printers as well as private companies that also did notes for their own countries, such as Enschede of Holland, Giesecke & Devrient of Germany, and Orell Fussli of Switzerland.

In 1973 Conlon and an Australian central bank friend decided that the countries bordering the Pacific rim should have their own conference and that year in Melbourne, Australia, held the first of what has become a regular affair: the Pacific Rim Conference.

The Senators at the hearing were impressed by how close the banknote community was, but still, they seemed to feel that James Conlon as Director of the U.S. Bureau of Engraving, had been perhaps excessively friendly with American Bank Note. For one thing, there was the feeling that ABN had been allowed to make too much profit on its printing of U.S. food stamps. From November, 1971 through September, 1979, American Bank Note had gotten $125.2 million worth of food-stamp contracts.

How much is "too much" profit? Philip Manuel, a veteran investigator for the Senate Subcommittee had an answer. But first, he thought the public should know how the investigation got under way:

> This inquiry started in May, 1978 when several current employes of BEP (Bureau of Engraving & Printing) contacted the subcommittee staff on a confidential basis . . . the allegations made . . . dealt primarity with the business relationship between BEP and the American Bank Note Company . . . These sources alleged that ABN had made abnormally high profits on contracts calling for the production of food coupons for BEP . . . our sources said that BEP officials had failed to take action to seek recovery of alleged excess profits . . .

According to Manuel, the General Accounting Office analyzed the figures carefully and concluded American Bank Note had made at least 26½% yearly profit on the food-stamp contracts. How did that compare with others? Well, the only real competition was with U.S.Banknote which also had a much lesser—$29 million—food-stamp contract. U.S.Banknote's profit margin was on-

ly 13%-18%. Then, to top it off, the GAO found also that the Bureau of Engraving's "procurement files and procedures were seriously deficient regarding the negotiations of these (food stamp) contracts."

There were other charges the Senators were curious about. Conlon, while still Director of the Bureau, spent time helping American Bank Note executives find office space in the Washington area for what was to become the ABN Development Company, to be headed by Conlon upon his resignation from Federal service.

Committee investigations brought out that the Bureau under Director Conlon had bought four intaglio-printing machines—the Magnas—from American Bank Note for more than $1 million each; and that these had proven defective (See Chapter 9). The Magnas were used only during peak work periods. These machines were also blamed for an inordinate number of error notes that reached the public.

But basically, the gravamen of the Committee's charge against Conlon was that he had gotten an employment offer from American Bank Note in November, 1976 but didn't report it to his superiors until June, 1977.

Worse was to follow. On August 9, 1979, a Federal grand jury in Washington indicted Conlon and an assistant director of the Bureau, Richard C. Sennett, on charges of conflict-of-interest and lying to a grand jury. Conlon was charged with three counts of lying and one count of conflict-of-interest.

Once before, a Director of the Bureau of Engraving had been the subject of unpleasant newspaper publicity. That was in 1922 when President Warren G. Harding removed the Director, James L. Wilmeth and the assistant Director, James Fisher. The Executive order also summarily dismissed 27 other top Bureau officials. As the Bureau's official history has it:

> A state of shock took hold of the Bureau. Since no specific charges were made against the dismissed employes, they were at a loss to defend themselves . . .

The dismissed employes knew it had something to do with the charges made in September, 1920 by a former Assistant Register of the Treasury. He said he had been fired—not because he was a heavy drinker—but because he told his superiors of a great plot by the Bureau of Engraving to defraud the Government of "hundreds of

millions of dollars." How? They issued *duplicate* Liberty Loan bonds. (More than 100 million Liberty Loan bonds worth more than ten billion dollars had been printed during World War I.) The Department of Justice began an investigation of the charges that was to drag on for more than four years. Eventually, the investigators concluded that,

> . . . although there were some numerical duplications of bonds issued, they were the result of mechanical malfunction of the printing equipment and the ever present element of human error and were in no way connected with the integrity and trustworthiness of the employes who had been dismissed.

The dismissed Director, Wilmeth, didn't get his job back, but his successors resigned, so that the Bureau had four Directors in less than three years.

Shortly after Conlon had been indicted by the grand jury, I lunched with him in Washington. He is a handsome, sturdy 60-year-old with a muted pompadour hairdo. He's married and has four children. I had listened to him defend himself at the Senate hearings. His voice was firm, resolute, and he sounded self-confident. He rattled off answers and defended himself with great aplomb.

I asked him how he had gotten into the Bureau in the first place. He had lived in the Bronx, New York. His father had been an Irish longshoreman. Jim Conlon, the eldest of four children, won a scholarship to Regis High School in Manhattan, an endowed parochial school that has a reputation for taking in bright Catholic youngsters. His mother died when he was 12.

"In 1941 the government gave apprenticeship tests all over the country. Hundreds of thousands of us took it. Jobs were scarce. The apprentices selected would work in the Bureau of Engraving, in the Navy Yard, and some other Federal agencies. I did a little checking because you had to indicate where you wanted to work, if you passed. Turned out that the highest salary range was for plate printers who were getting $3,700 a year—which was a fortune then. So I said I'd like to be a plate-printer apprentice, even though I had only the vaguest idea what they did.

"The tests were of general knowledge. There was a lot of publicity about how many of us were taking the tests, and the fact that only 35 apprentices would be selected. I knew right away that only those who got 100% on the test would make it. Most of us, in New York anyway, were youngsters like myself who couldn't go to college

because our families couldn't afford it. I remember there were a lot of Jewish boys taking it with me. Well, I passed and so did a Bronx boy I met, Seymour Berry. At least Seymour knew something about printing. His father had been in the business."

Passing the test was only part of the battle. "You had to be under 21 when you were appointed to the apprenticeship program. Everyone kept telling me how slowly the Government moves, and I was worried stiff: I was going to be 21 late in January, 1942. A real squeaker. My appointment came through a few weeks before."

Conlon and Berry began the apprenticeship program on January 5, 1942.

"We started at $900 a year and it was tough to live on that in the District. All of us had to take part-time jobs. I worked Saturdays in a supermarket. Then they changed the rules on us: now he had to work Saturdays at the Bureau of Engraving and we wouldn't be paid extra since we were on an annual-wage basis and so now it was still $18 a week for six days a week, instead of five."

Conlon went into the Army Signal Corps as a radio operator and then to OCS at Fort Monmouth, N.J. He emerged as a Second Lieutenant and the most memorable part of his service was duty at the Yalta Conference. While he was in the Army he married.

In 1949 he became an intaglio-plate printer, the highest level of union printer in the Bureau. (One of his friends kidded him that he should have stayed a plate printer: their base pay is now $30,000 a year and most of them are making $20-25,000 a year in overtime, so that $55,000 and $60,000 a year compensations aren't unusual. When Conlon retired in 1977 he was making only $47,000 as Director of the Bureau. Some 38 plate printers in the Bureau were then making more.)

Conlon thinks the Senate hearings and the indictment stemmed from the resentment of a Bureau of Engraving official who wanted to succeed Conlon as Director.

"A helluva kick in the pants, after 35½ years of faithful service; after ten years as the Director of the Bureau. And it wasn't as if I was a tired hack, droning through the years waiting for retirement. In 1974, Arthur D. Little, the consultants, did a 20-week diagnostic study of the Bureau's operations. They concluded 'The Bureau of Engraving & Printing is one of the most effectively managed organizations with which we have had the pleasure to work . . . This managerial and operating excellence is all the more remarkable in

the light of the constraints in which it functions.' Then we had another survey, in 1976, by Arthur Andersen Company;, which said that the Bureau's 'productivity is . . . quite favorable relative to the total Federal sector and private industry . . .'"

Conlon testified at the Senate hearing that the U.S. had the lowest cost of any country in the world in producing paper money. The Japanese pay twice what we do, he said, to print a banknote. The Bundesbank of Germany pays more than $40 per thousand notes—about four cents a note—while other nations were generally in the 3½ cent to 4-cent range. The U.S. cost is now slightly over two cents per note.

"You know, I even turned back $55,000 worth of unused sick-leave time to the Federal Government. If I had larceny in my heart that's the last thing I'd have done. I know, I know, they figured someone had to be made an object lesson: if you're offered an outside job you're supposed to report it right away. But that's pointless. After all, I'd been offered jobs before: by Giori, De La Rue. Jobs I didn't take."

"When I found out I was going to be indicted by the grand jury, I worried: what's it going to do to my family? How friends and neighbors would react? Well, an indictment does serve a cockeyed purpose, after all: you find out that friends are still with you."

In July, 1980, Conlon was convicted by a federal jury of the conflict of interest charge. In September he was fined $7500 and placed on probation for a year. When I talked to him at the end of 1981 he was still on the American Bank Note payroll. He preferred not to talk about what he was doing for them.

* * * *

Conlon's successor was his old friend from the apprenticeship days, Seymour Berry, the Jewish boy from the Bronx. Berry was appointed Acting Director after Conlon resigned and was made Director in May, 1978. When he accepted the Acting Directorship, he made it clear that he wasn't staying on for the full course. He was eligible for retirement and hoped to get back to the study of law. He had received his law degree, via night study, in 1953.

When I had begun researching the book, he was Director and I sought an interview. At the start, he made it clear that he didn't expect to be Director by the time I started writing my book, but he'd be glad to answer questions.

His career and Conlon's were very similar after their appren-

ticeship. He became a plate printer slightly ahead of Conlon but got into the war a little later. In March, 1943 he got into the Air Force Cadet Program but washed out.

He's tall, with light brown hair and the massive shoulders of a confirmed handball player. He said that being washed out was a real blow. "They said I had perfect motor coordination, great reflexes, but . . ." he laughs. "Y'know what the 'but' was? They said I *lisped* . I said Churchill had a lisp, too. They said, sure, but you're no Churchill, so eventually I got shipped overseas in the infantry and into a repple-depple and out front with the 80th Division. One day a Nazi bullet goes in and out of me three times, but I was lucky. It got me to a base hospital and out of the line, as a walking wounded. They had me supervising POW's in England. Oh, yeah. The so-called lisp disappeared."

After the war, he married, had two daughters, went to night law school and graduated in 1953.

"I really wanted to be a lawyer, but I had a wife, two kids, a mortgage. I looked around for a good government job lawyers were supposed to be able to get, and discovered the best I could do was a 5- or 7-grade level, while what I was making as a journeyman plate printer was like a grade 12 or twice as much. So I practiced a little law on the side, weekends mostly. Wills, closings, that kind of stuff."

He's had two serious hobbies. First and foremost was handball. "Used to play five days a week. A real 'shtarker' (Yiddish for strongman). Then on Labor Day, 1973, I banged my knee badly and that was the end of my handball career. So I gave more attention to my other hobby: composing limericks."

When he became Director of the Bureau, he found that he had a kindred soul in Peter F. Orchard, president of Thomas De La Rue. In a running correspondence, they've been exchanging homemade limericks for several years. Berry thinks Orchard's efforts are "a little classier. What the hell, he graduated from Cambridge University and I never finished going to CCNY at night. But at least some of mine were published." Berry's favorite appeared in a thin little volume called *Laundered Limericks* , published by the Peter Pauper Press. It goes:

If intercourse gives you thrombosis
While continence causes neurosis,
I prefer to expire
Fulfilling desire
Than live on in a state of psychosis

He was impressed with the caliber of his opposite numbers in the banknote world. And the level of cooperation between the banknote printers. "But never, never ask them how much it costs to make one of their notes. In my innocence, I used to ask everybody I'd meet at these international banknote conferences. After all, everybody knew it cost us about 1.8 cents to make a note. (By December, 1981 the cost had risen to slightly over 2¢ per note). I think they would have been less up-tight if I'd asked about their sex lives or how much they're worth. After a while I figured they wouldn't tell me because maybe they're a little ashamed because it costs them so much more to make a note than it does us here at the Bureau."

He and his wife belong to a Conservative temple in the Washington area. At first, he used to be introduced as the Bronx boy who makes more money than anyone on earth. Naturally, his answer was: it's a nice job but you can't get rich at it.

"Only in the private sector," Berry laughs. "Giori, he's rich. Albert Amon, he's rich. So is Siegfried Otto. But you don't get rich as a GS-18 even if your job is turning out four billion U.S. banknotes a year."

* * * *

I am in Washington again to talk to the new Director of the BEP, the man who succeeded Seymour Berry. But I'm a little early for the interview and maybe it's time I took the tour that some 730,000 visitors take every year—watching them make our money. Years ago, when our daughters were young, we took them on the obligatory Family Spring Tour of Washington and the BEP walk-through was part of the schedule, but I remember almost nothing. Time for another tour.

It's now self-guided. You walk through on glass-enclosed overhead walks and the ceiling speakers tell you what you are watching—or should be. The kids skip through; the parents listen dutifully—and shout for the youngsters not to get too far away—and there's the occasional Japanese or German couple watching, discussing, and walking through slowly.

The canned spiel establishes the big picture right away:

"The Bureau of Engraving & Printing puts out 12 million notes a day and they are worth about $20 billion a year . . . We use six tons of ink a day and 32 tons of paper . . ." (In June, 1982 the Bureau disclosed that it was actively considering a satellite plant, west of the Mississippi, that would produce up to 15% of the nation's money supply.)

There are pictures of the former Directors of the BEP, including

the all-time survivor, Alvin W. Hall, who carried on from 1924—after the resolution of the Liberty Loan Bond charges—until 1954. And the last picture is of James A. Conlon, Director from 1967 to July, 1977. Naturally, nothing about his troubles with the Senate, in the courts.

Now, on the left of the overhead walk and about 20 feet below are the four one-color Miehle-Goss-Dexter intaglio presses. They're American-made but old and limited. Since they can handle only one color at a time, they require two separate runs: one for the black ink and another for the green.

More canned statistics come pouring down on us: "There are 32 notes to the sheet and some 7,000 sheets an hour are run through. There are three shifts daily . . . Those stacks you see over in the corner contain 10,000 sheets of $1 bills worth $320,000 . . . the load of $20 bills is worth $6,400,000 . . .

". . . the life of the $1 bill is about 15 months . . . the size of a U.S. note is approximately 2.61 inches by 6.14 inches and the thinness is .0043 of an inch so that some 233 new notes make up an inch without undue compression. There are 490 notes to the pound . . . a million notes weigh approximately a ton and occupy about 42 cubic feet of space . . ."

Now below us on the left are the foreign presses. Here are two of Giori's finest. The 18-inch-diameter machine's nameplate has the Koebau-De La Rue-Giori insignia on it for all to see. (The canned spiel assumes that nobody is going to be curious about the slogan, Omne Trinum Perfectum Est, on the nameplate ("All triangles are perfect".) and in truth, it's not that easy to make out at the distance.)

The "foreign" presses get a good review from the spieler: "These machines are used for our $20 bills and have a greater production rate than the other presses." The other presses—the Magnas are left in invidious silence. Now another Giori machine comes into view . . . "This is the COPE machine, which stands for currency overprinting and processing . . . it puts the Federal Reserve Seal on the notes, using green and black inks simultaneously . . . it is the most modern overprinting and processing machine in the world . . . the machine counts each note as it is printed . . ."

We get glimpses of new note-sheet inspections . . . "Here we do 100% inspections of the sheets, not just sampling." But no attempt at explaining why errors creep in, to the delight of collectors and dealers.

Near the end of the tour, we see a display case with an old-fashioned pair of scissors. "Up to 1880 the Bureau of Engraving employes used ordinary scissors like these to cut single notes from the sheets. . ." And there's a display of the $100,000 Wilson Federal Reserve, the highest-denomination note the Bureau has ever turned out. It is, says the inscription, designed for official transactions within the Federal Reserve Banks and is never circulated outside. And finally, cards for visitors' comments or suggestions.

A little later, while I'm waiting for the new BEP director, Harry Reed Clements, I discover that the $100,000 Wilson note is far from the highest denomination ever turned out by the BEP. On the wall outside the Director's office is the winner: a $500,000,000 note with an engraving of President William McKinley. This one,too, is a bearer note: "The United States of America for value received promises to the bearer the sum of Five Hundred Million Dollars."

It takes a few seconds for the sum to sink in: a piece of engraved paper worth half-a-billion dollars. Anyone who bears it, commands it. Boy! You are magically, suddenly, Gregory Peck. Not in London with Mark Twain's million-pound note. No. You are in New York at the "21" Club with the half-billion. "Sorry, nothing less. Can you cash this for me?" You're at Tiffany's: "Hmm, yes. I'll take that diamond necklace with me. Do change this for me, please. . ."

Between 1955 and 1969 there were 490 of these notes printed—$245 billion worth—and not one of them ever got outside a Federal Reserve Bank, which used them for interbank transactions. They stopped printing the notes when the Federal Reserve concluded that it would be much simpler to make the transactions involved simply part of a bookkeeping operation.

The new Director occupies the huge corner office of his predecessors; carpeted, hushed, with a GS-18 large mahogany desk. Off in a corner, a large octagon-shaped coffee table surrounded by dark leather couches and club chairs. The walls have superb samples of all the U.S. currency notes ever turned out by the BEP.

Harry Reed Clements is 52 and surely one of the factors in his selection was that he was *not* part of the old generation represented by his predecessors, Conlon and Berry. (As Under-Secretary of the Treasury, Bette B. Anderson, put it primly in her Senate testimony: "The BEP was experiencing rapidly rising costs and customer dissatisfaction . . . the Bureau was managed by a small group of individuals, a majority of whom had spent over 30 years with the

Bureau and were accustomed to their own particular ways of doing things . . . they had not been trained as managers but had achieved their positions through the production side of the Bureau . . . Mr. Conlon had not built a strong, deep staff . . .")

Clements, the new Director, is soft-spoken. He has a fair-sized moustache, is about 6'1" and out of Oklahoma by way of Kansas City, Mo.

I mention the tour I'd just come from. He nods amiably. "One of the facts of BEP life I had to get used to. I get here at 8:45 but the tours start at 8 a.m. If the tours move slowly, as in the spring and summer, I get derogatory cards that day. But if the tours move fast, I get great cards. What do they say? Most common adjective is 'fascinating.' And naturally, 'You'd sure enhance the tour with samples! Even rejects!' And about once every couple of weeks: 'Why do you only have blacks inspecting our currency? Aren't whites good enough?' I always reply to those cards: 'Our employment reflects the fact that the District of Columbia is 70% black and, of course, we practice equal opportunity.' In 1982 the Bureau installed the first prototype of a solid-state electro-optical machine that can inspect, via eight separate scan heads, a sheet of 32 notes in less than a second, or 6000 sheets of currency in an hour.

"Still," he went on, "we're the only national banknote-printing operation with a tour like this." (Australia's planned public tour of its banknote plant didn't commence until 1980.)

He's a chain smoker. "Swisher," sweet cigars dipped in wine. Between puffs, I get his background: he went into the Army for two years and on the GI Bill, to Wichita State. He got a scholarship which enabled him to get a Masters. Worked part-time at Cessna and got his M.S. in aeronautical engineering. Eight years with Cessna, two at Boeing and then 12 years at Rohr, the firm that built most of the San Francisco rapid transit system, BART. Then to Federal employment at the newly-formed OSHA, occupational safety, moving on the HEW and rehabilitation services as deputy commissioner at $36,000.

"Now, what's all that got to do with the making of banknotes?", he asks. "Actually, there are relationships. First, executive management is my specialty. And a lot of the manufacturing techniques I've worked on are related in some ways to the making of plates and the processes of printing."

How did he get the job? "I was in the capability inventory of the U.S. Civil Service. Thousands and thousands of names and

backgrounds. First word I got, was I interested in even being considered for the job? I suspect dozens of people out of the inventory were considered. Then I must have gone through the first elimination and I found I was going to be interviewed. Then I started doing serious reading on printing and temperature, inks, pressures, speed. I also had read about the Bureau in the government manual to find out just what was involved in the job.

"Then came the first of the interviews. I think there were three outsiders like myself and a couple from the BEP itself. The first interview with the selection panel. Seymour Berry was one of the panelists. Mostly, the questions directed toward my knowledge of individual operations and concern for cost-effectiveness. Then I passed that hurdle and was one of three finalists. This time the interview was with Bette B. Anderson, Under-Secretary of the Treasury and Seymour Berry, but she led the discussion, mostly. They let me talk on management style, personal relationships. A week later or so, I was told that I had the job: Acting Director of the BEP. That was January, 1979." In July, after a six-month trial period, he was named Director.

He, his wife, Pat, and their six children live in a D.C. suburb, Annandale, Virginia.

Understandably, there was a fair amount of grumbling in the BEP that an outsider had been brought in, especially one unfamiliar with the products and processes of the Bureau—one of the more sensitive areas in the Federal hierarchy.

Clements admits that he had a lot of fast learning to do—before he even knew how much he had to learn. "Take a little thing like the status of the BEP. I assumed that it existed on Congressional appropriations, like any other proper Federal agency. Nothing of the kind. Sure, we go before the Congress with our figures, but our real boss—our paymaster—is the Federal Reserve System and the Postal Service. We're their designated contractor. We negotiate with them, deliver a product—banknotes or stamps—and we're paid. We want an increase, we have to bargain with the Reserve Board. They think we're trying to hold them up, they can appeal to the Secretary of the Treasury about our services and rates. There haven't been any such formal appeals yet, so I guess the bargaining process works out okay."

What the Federal Reserve is interested in mostly, is getting down the mounting cost of making currency. "On our present basis of two cents per note, the cost works out something like this:

15% is the cost of the special paper, with its linen and cotton content and the inks;

41% is for labor, direct and indirect, which includes heavy, overall security costs as well as note examination;

3% is for the cost of engravings;

33% is for general and administrative costs;

8% is surcharge—our add-on—to provide for replacement and depreciation of equipment.

"With a big item like paper, naturally we start thinking: can we use cheaper paper? Wood pulp paper? We've talked of doing the backs of the one-dollar bills by offset instead of the more expensive intaglio. One-dollar bills are almost never counterfeited. When was the last time you looked at the *back* of a bill? If we can use offset, we wouldn't have to acquire some very expensive additional Giori intaglio presses. They're new about three million bucks or so. You can't make a change, like going to offset, just like that. It would also call for changes in Federal statutes going back to 1912 and 1917. They stipulate that all currency *must be done by intaglio only* . (In 1981 a bill was introduced in Congress authorizing—but not requiring—non-intaglio printing on the backs of $1 bills.)

"More problems. You talk of shifting a little to offset printing and you get the plate-makers union, the intaglio printers, very very nervous. We have 97 of them and they're the cream of the crop, so you just can't get them with a little classified ad. They're scarce. The only category scarcer is engravers. You need 15-20 years to develop a decent one."

Clements and his staff have explored another possibility. Reducing spoilage. "Our total spoilage is only 3.25%, which doesn't sound like much but can add up to impressive sums."

Like his two predecessors, Clements spends a lot of time worrying about the enormous amount of overtime that the 97 plate-makers must put in. "Our basic time structure is now six days a week, eight hours a day. They can volunteer for Sunday work and 35-40% of them do that. So what you have is that some sixty of our 97 plate-makers are making more than I do. I get $50,000 a year and some of them are making over $60,000. Terrible hours, but a lot of money. (Some critics assert the heavy overtime leads to a much higher accident rate than the Government Printing Office has.)

Clements thought that inevitably the U.S. will require gas-ration coupons. (We already have 4.8 billion gas ration coupons hidden

under a blanket of embarrassed silence. At a cost of $10.3 million they were run off by the BEP, helped somewhat by American Bank Note and U.S. Banknote. Only after they were printed did someone notice that the George Washington vignette on the gas coupon was identical to that on our one-dollar bill; that the smaller gas coupons with a little juggling could be used successfully in dollar change machines. So unless the coupons turn out to be worth a dollar or more on the open market . . .) "We'll need at least 20 billion a year. The ones we have on the drawing board are the same size as bank checks and, in fact, will use the same magnetic inks and codes our checks use to facilitate their being handled by automated equipment. I don't see how we'll be able to do 20 billion by ourselves, so I imagine the private sector will be invited to bid."

There have been many proposals to offset the rising costs of making money, particularly the $1 bill, which constitutes more than half the BEP's total note production. The most expensive solution was the $2-bill campaign which began in 1976 with the printing of 450 million notes for the "New Two," depicting Thomas Jefferson on the front and the Signing of the Declaration of Independence on the back.

If the $2 bill could displace two single bills, the savings to the BEP and the Federal Reserve and, indeed to the nation, would be considerable —anywhere from $5 to $9 million a year. The only trouble was that despite an intensive public relations campaign, almost nobody wanted the $2 bill. An Indiana bank's offer to sell them for $1.95 got rid of some of the twos, but how long could you keep that up? Treasury researchers came up with reassuring statistics: the $2 bill is very popular in Canada and Australia. Still, nothing helped and, privately, most Treasury people concerned admit that the $2-note campaign failed.

Then came the Susan B. Anthony dollar coin which went into circulation on July 2, 1979. They cost 3.3 cents each to make—roughly 1½ times more than a dollar bill, but they were expected to last for years instead of the mere 15-month life span of a dollar bill. Here again, the public reception was either tepid or hostile. Too many confused it with a quarter. Others said it was too heavy. You carried five or six of them around and they felt like a mid-body tumor or something.

Clements' assistant, Peter H. Daly, a young economist, fills me in on some other recent findings about our money: "Our best estimate

is that the $1 bill during its 15-month life is used in some 500 transactions. The $5 note lasts about two years and in that time it gets passed back and forth 300 times. Our twenty lives to a ripe old five years, and passes in and out of some 400 sets of hands."

There are, he added, some 9 billion U.S. notes circulating—a lot of them abroad, because U.S. currency is still the world favorite. For example, there are some $50 billion worth of $100 bills—our highest active denomination. One-third of the hundreds are accounted for in daily banking and commercial use. The other two-thirds? No one is sure. Foreign holdings and probably drug transactions may account for a lot of them.

He gives me a copy of what was then a still-uncirculated Treasury Department study, "An Assessment of United States Currency and Coin Systems with Long Range Planning Recommendations." Among the latter:

—a study should be made of the use patterns of $50 and $100 bills in order to help law enforcement agencies trace "the extent of their domestic and foreign use in high-magnitude drug trade, tax evasion and other illicit transactions."

—if the public could be persuaded to use the Susan B. Anthony dollar coins, the "government could save the taxpayers $50 million a year."

—there should be stepped-up research on a "plastic-like material" on which to print currency, "to dramatically increase durability and use in vending machines." (One of the materials under study is Dupont's Vydec which would cost about 6-7 cents per note, but would last almost forever).

—with some $126 billion in paper currency and $4 billion in coins circulating, there is about $600 for each adult and child residing in the U.S. today. Then, a surprise: "Currency and coin in circulation today constitutes a larger portion of the basic money supply then it did 50 years ago, in spite of the vast impact which checks and credit cards have had on the pattern of consumer expenditure." That also brings a bureaucratic disadvantage, however:

> . . . the most popular features of cash—impersonality, easy obtainability, universal acceptance—are also principal obstacles to analyzing its movement. It is virtually impossible to track cash flows on a national level . . .

And finally, a note on a movement that comes alive every few years:

> The Bureau of Engraving has thoroughly investigated various means of adapting currency for the sight-handicapped. The emphasis has been on the incorporation of braille-type markings on currency notes . . . But the tactile sensitivity required for reading braille varies greatly from person to person and is not a universally acquired skill among the blind . . . at the Third Pacific Rim Conference of Banknote Printers held in Ottawa in 1977, member nations agreed that braille-type markings on currency have little real value to the blind, and serve only a goodwill gesture. . . The relative ease with which the markings can be counterfeited, either by adding markings or flattening them, is also a major deterent.

(The Netherlands, Switzerland and Austria have braille-marked currency.)

* * * *

Before I left the BEP building, I asked about another campaign that seems to get re-started every few years: getting the U.S. to print brightly-colored currency the way most of Europe does, with different colors for different denominations. Turns out, one big factor against making the change is that it would cost at least $80 million, possible $100 million. With the Federal Reserve Board out to reduce currency costs, it's hardly likely they'll decide they can afford—or want—that much color.

As it happened, I had an appointment the following day at the Federal Reserve Board, the agency that tells the BEP when, how much, and in what denominations it wants its green and black notes.

His title is Manager of Cash, Food Coupons & Mail for the Board of Governors of the Federal Reserve System. James L. Stull is one of the few men in the Federal Reserve System big enough to bear the load of that extended title. He's 6'4", weighs 260 pounds and used to be center for Maryland University's football team. "I was there during Maryland's bad years, 1966-69. We were in the bottom ten." (Possibly the only taller man in the Fed is his boss, Paul A. Volcker, who is 6'7".)

"The way the system works is, every year in September we tell the Controller of the Currency what we will need," he explains. "The last

employers—will be turning to American Bank Note and its lesser competitors for scrip, temporary money, to pay employes, just as they did back in the black Thirties during the bank holidays.

* * * *

Back to Jim Stull, in charge of real folding money and coins instead of incalculable floating credit.

"Making money is expensive. We figure our basic costs are $20.60 per thousand notes, for a total cost of $65 million. That's just for openers. To that two cents per note for actual production, we have to add another 1.5 cents per note for handling and transportation. After all, we have to get the notes from the Bureau of Engraving to our Federal Reserve Bank branches. The Fed pays for the armored car transport—Brink's mostly—of the bundled new notes but no matter *who* pays, you have to figure it in. Then you add on another penny for the costs of verification and eventual destruction of the notes when they wear out. In 1980 we destroyed 3 billion—mostly by shredding. We're getting away from burning. Too many environmental complaints. Well, when you add up all the hidden costs on each note, we're no longer just looking at a nice, handy figure of about two cents per note. In fact, you put together all the costs of printing, handling, checking, moving and destroying the notes—it comes to nine cents per. No matter whether it is a $5 or a $10 or a $50 bill."

Like most people in the banknote world, he also has a lively interest in the plastic solution. "It could be *a* solution because it lasts and lasts. Right now, there are specimen notes being made on Tyvek, a Dupont plastic." He laughed. "You don't know it, but you've probably handled Tyvek . . . it's the stuff you find in hotel bathrooms for shining your shoes so you don't use their towels. That's Tyvek."

He said only three percent of all U.S. retail transactions are handled by cash; 1% by credit card, and 96% by check. (Stull had $26 in cash on him.)

"We also know that of the cash transactions, 75% are for less than a buck; 20% are in the $1-$10 category, and only 5% are for over $10. Given those percentages, it's hard to understand how so much cash is floating around out there. Maybe $500-600 per American."

Since banknote handling—some 9 billion notes a year—constitutes an important art of the nine cents total cost per note, the Federal Reserve has long been interested in electronic means of

replacing the 1,040 women note-checkers and sorters they employ. The women used to check and sort 25-30,000 notes a day individually; with the new machines, they now do 80-100,000 notes.

(Stull suggested that the best place to get an idea of what the women do was at the New York Federal Reserve. A few days later, I met Whitney R. Irwin, vice-president of the New york Fed, in charge of its cash services.

"We used to have 300 women on the third floor here. Now we're down to a little under 200. Machines are starting to replace them. How do you train a woman for this work? First we let them get used to handling the notes; then we show them and let them handle a lot of counterfeits. We give them a package of 100 notes and ask them to pick out the counterfeits; then several packages and the same task. What happens is, they develop this marvelous sense. Remember when we were kids, you got this dime-store cartoon book where you flipped the pages rapidly so the characters seemed to be moving?—the basic animated-film principle. And after a while if someone put a black dot on one of the stills, you'd spot it even as you flipped through them rapidly. Well, that's what happens with these women. When you look at the same image 30,000 times a day, a counterfeit stands out right away for these women. It's not *feeling* the note, by the way. After you've been handling 30,000 notes a day, you've no tactile sense left. Believe me, I've tried sorting myself. Are the women ever fooled? Every great now and then a counterfeit note will slip by. We think the error rate is maybe 1/1000th of 1%—or roughly ten bogus notes might slip by for every 1,000,000 notes inspected." How do they know? Well, from time to time the women are quietly tested: a known counterfeit is slipped into the batch they're sorting. On average, the women come up with some 80 counterfeit notes a day in New York—notes that had passed the public, shopkeepers, and probably two sets of bank tellers.")

* * * *

Around 1970, Jim Stull went on, the Fed realized that it had to plan seriously for machines to handle the sorting of notes. The first such machines were used in 1975. Essentially, they are currency counters with capabilities of detecting counterfeits by tests for magnetic-ink qualities or fluorescence in the paper. The magnetic-ink factor was a happy accident discovered when the first $1 bill change-makers started being used in the Sixties. (There are minute iron particles in the pigment.) Most counterfeiters couldn't care less

about these tests. Less than 1% try to simulate the magnetic-ink factor, for example. Very wise: because magnetic levels differ in various parts of the bill.

In 1979, the Fed began getting much more sophisticated money-sorting machines from both Recognition Equipment of Texas—$280,000 per machine—and American Bank Note, which will be delivering the Giesecke & Devrient 300-Class machine. The REI machine also checks the notes for light reflection—to see how dirty they are—and for translucence—cheaper paper—and if significant portions are missing.

"We have a 'Buy American Act' for Federal supplies," Stull points out. "Under it, foreign suppliers must provide products that are at least 6% more cost-effective; that is, they must be either priced at least 6% below U.S. equivalents, or they must be 6% faster or better. So if the machines are from American Bank Note, why that makes it an American machine even if it originated in Germany." (The machines are manufactured in the U.S. from G & D blueprints.)

In different ways, the new machines will test each note for genuineness, fitness—can it be sent out to circulate again?—and denomination. The unfit notes are immediately routed to a stacking machine that prepares them for shredding.

Just as the women sorters are secretly tested, so too are the machines. From time to time "we run through test decks of counterfeit notes, assembled by the Secret Service, to be representative of day-to-day notes they pick up. So far, the machines have missed damn few: perhaps only one out of a thousand counterfeit notes sent through."

Stull knew about the "rare earths" gimmick used in the German banknotes but was fairly skeptical of the whole idea. (See Chapter 5). "I'd be against using it here. The very use of hidden electronic gimmickry defeats your purpose by reducing public confidence. With a widely-used currency like ours, you need a bill that the average person can tell quickly just by eye and feel if it's good or not. When you start introducing special devices, the public starts thinking: hey, this is getting too complicated! If *you* need a fancy machine to tell if this $20 is good or not, how the hell can *I* tell?"

Stull thought the real problem was that, after all the years of trying to get the public to really look at a bill carefully, they still don't. "Most people only look at the number in the corner." (Which is why one of

the oldest cheap cons still works: pasting the corners of a $20 bill onto a $1 bill to pass it as a twenty. The crook clips one corner off each twenty—which still makes the bigger bill passable—pastes it on a $1 bill, for a total profit of $19.)

The other cheap con, running off bills via a Xerox 6500 color copier, isn't really effective, Stull thinks. "Sure, you get the raised effect as you would on an intaglio note, but the line qualities of the fake made this way are pretty poor." Still, he felt that while I was in Washington I ought to talk about the color-copier problem with some other Federal employes he meets from time to time when they serve together on banknote committees. The U.S. Secret Service. (We meet them in Chapter 17.)

Munich Survivor

Great firms, with a reputation which they have received from the past. . .cannot be guilty of small frauds.—Walter Bagehot

You could easily accommodate a volleyball game in Siegfried Otto's office in Munich. But size isn't my only distraction. There are the large, handmade rugs near the enormous desk. Before World War I, some women in what was then the Ottoman Empire wove these woolen rug blowups of the banknote Giesecke & Devrient made for the country. Money knit large.

Just as arresting are the ten attache cases standing on the floor beside the desk. Most are black or dark brown, and all are ready to go, Otto assures me. Each has the papers, reports, contracts, etc., needed for the appropriate meeting he will be having in the next few days. No delays. No nonsense about last-minute preparation, while his three secretaries flutter around. Like any lesser mortal, I'm appalled by the possibilities: you come to Meeting A on Tuesday with all the papers needed only for Meeting B last Monday; you go to solemn Meeting B with what turns out to be a lovely, intimate gift for a new woman friend. Embarrassment, small blushes. No, Siegfried Otto assures me, the attache cases *never* get mixed up. His firm answer suggests: how strange that you should even *think* they could be.

Before I flew to Munich I had heard much about Siegfried Otto from friends, enemies and that necessary hybrid, the frenemy. They differed on details of his personality and his private life, but there was quite general agreement he was a brilliant organizer, remarkably ef-

fective visionary, and was the brotherhood member who had built up the largest empire in the shortest time; the one who had accumulated the largest fortune. (The Amon fortune had been built up over two generations.)

Inevitably, there were comparisons—and contrasts—with Rino Giori, because since 1951 their lives and businesses had been entwined in Machiavellian maneuvers against outside enemies. With their differing personalities, there were inevitable clashes even if publicly they seemed to operate in harmony.

He is about 5'9", neatly dressed, with straight blond hair parted on the left side and combed back to conceal bald spots. Quite sturdy. Thirty laps every morning, in his private, indoor pool. He radiates quietly-contained energy.

He talks about his life with measured carefulness, knowing exactly which doors he intends to open. And how far. Even his friends don't claim for him a sense of humor—an ability to laugh at himself—but every now and then, while gazing into the mirror of his remarkable life, he is slightly amused by the past.

He was born in 1914 in Leipzig. After graduating from the Gymnasium—the equivalent of a U.S. high school plus a year of college—he entered the great security printing firm of Giesecke & Devrient in Leipzig to be trained as a printer.

Like all new employes, he got a capsule history of the venerable firm, begun in 1852 by two Leipzig men, Alphonse Devrient and Hermann Giesecke, who started shop as "Officin fur Geld und Werthpapiere" (Office for Paper Money and Securities). Their first order for banknotes came from the Duchy of Altenburg, which required ten-Thaler notes in 1856. Twenty years later the growing firm was doing notes for several Swiss cantons and then Peru. When Germany acquired its East African colonies, G&D followed the flag and produced colonial paper money in mark and rupee denominations. In time, G&D also made banknotes for Brazil, Argentina, Greece, Siam, Hungary and Turkey, among others, and by 1914 was a serious banknote competitor. In the lunatic inflation of the early Twenties, G&D had its busiest period turning out more billions of inflated German banknotes than they had in all the prior six decades.

Otto entered the German Army in 1936, for his two years of obligatory service. He was 22.

"After the obligatory two years, you had a choice," he recalled in his accented English. "If you wanted it to end there, you were on

recall for five years for weekly training in the reserves. But if you put in for nine months of officer training, you became a reserve lieutenant, which meant that you no longer had that weekly training session. I thought I would save much time in the long run with officer training. I was very wrong. My two years and nine months turned out to be thirteen years."

Initially, he was assigned to horse artillery and then tanks. He participated in the campaigns in Poland and France, and then against Russia. In one battle, he was severely wounded in the left leg.

In the summer of 1943, he was given leave to marry Utta Devrient, the daughter of one of the banknote firm's owners. He was given further leave to become head of the firm's technical department which was now doing German and Bulgarian banknotes, as well as ration coupons of various kinds. On December 3, 1943, an Allied bombing raid destroyed large parts of Leipzig, including 80% of the factory buildings of Giesecke & Devrient.

The firm managed to eke out production in various emergency locales until Leipzig was occupied by U.S. Army units in the spring of 1945. Then, in accordance with an agreement with the Soviets, the U.S. forces withdrew and Leipzig officially became part of the Soviet Zone of Occupied Germany. (In 1946 the largely wrecked firm was declared a "People's Enterprise" and given over to the production, in German, of all of Karl Marx's works.)

As soon as the Russian Army took over Leipzig in June, 1945, it began a roundup of the city's managerial, executive, and professional classes. "They were intent on destroying the middle class," Otto says. "A traditional Soviet sanitizing measure: they assumed only from the middle class could come a counterrevolution."

One of those seized was Siegfried Otto. He was put into the GPU prison in Leipzig, and then a camp near the Elbe River. Before the year was out, he was shipped along with thousands of other Germans to Moscow and Camp 7027A which was about five miles outside the city. In 1947 he became a prisoner of war, according to a Soviet designation, and as such was assigned to work as a coal miner in the Tula region, about 110 miles south of Moscow.

His leg wound had gotten worse and he was unable to work. He was kept in the infirmary compound and tried to find ways of making his would look even worse than it was. (In another version, according to some friends, Otto faked jaundice by putting anti-malarial medicine into his eyes.)

"One morning in December, 1949 we heard there was to be a transport back to Germany of twenty sick German prisoners," he recalls. "They went around the infirmary and picked twenty sick or wounded men. I wasn't one of them. I felt my last chance to get out of this was gone. Then just before the transport was to move out, the Soviet doctor found that one of the men scheduled to go was too sick to be moved and a replacement was needed. In a fateful moment the doctor turned to me."

He was very lucky. Most of the other prisoners eventually died of malnutrition. He had lost 22 pounds in the mines. He and the other returnees were taken to a border point, Hof, in Bavaria. Here he found a new difficulty—this time, with the American Army forces:

"It was a sorry-looking group being repatriated; men severely wounded, dying, men of sticks and bones. I was congratulating myself that in spite of everything I could walk away fairly erect. I was very thin but comparatively healthy looking." He smiles vaguely. "For that time and place, it was the wrong way to look. Your CIC (counterintelligence) men were checking the returnees very carefully, looking for Soviet or East German plants who intended to do some espionage in West Germany. I was too healthy-looking for them and I was questioned severely and for some time. Finally, they concluded I wasn't a spy of any kind and I was released. But again, fate intervened and when I left the CIC offices, I also had a valuable piece of information. I had heard some of the Americans talking idly and it appeared that the remains of a German air force barracks building at Riem Airport near Munich was going to be turned back to the Germans."

In Munich, where his wife had settled, Otto quickly got to work. First, through his wife, legally one of the controlling stockholders of Giesecke & Devrient, he was able to transfer the headquarters of the firm from Leipzig to Munich. Then he got permission to use part of the ruined barracks building to set up a new plant for the banknote firm. Since the West German authorities and U.S. Occupation agencies were anxious to encourage any venture that promised employment, he didn't have much trouble.

He was able to round up a few old G&D employes who had made it out of the Russian Zone. "I went around to the old machinery manufacturers who had supplied G&D in the old days and found I could buy two old letterpress machines and some other partly broken equipment. I didn't have any money, so I had to go to the old banks

for which we once printed banknotes. On my personal guarantee, they lent me a few thousand marks to get the machinery and start operating."

The timing was almost perfect. The currency reform of June 21, 1948 called for the conversion of the vastly inflated Hitler Reichsmark to the new solidly-backed Deutsche Mark. The German postwar economic miracle was about to begin. Then on August 19, 1949 came the law Concerning the Validation of Securities. The purpose was to find out who really owned which securities and bonds. Many had been seized from Jews by Nazi officials; others had been stolen during the turmoil of the postwar period. The real owners had to come forward and prove their ownership. Coincidentally, the law called for the reprinting of nearly all the securities in circulation in the Federal Republic.

G&D also got orders for most of the German foreign bonds, issued in 1953 for the settlement of German external debts. More than 200 million certificates were run off.

In 1958 Otto campaigned to get the Bonn government to give his firm half of the note-printing done for Germany by the Bundesdruckerei (the State Printing Works) in Berlin. He argued that the Berlin plant was vulnerable because it was so close to East Germany. (The Berlin Wall didn't go up until 1961.) Besides, wouldn't it be wise for the country to have another banknote printer—one in the private sector? "I said two legs are better than one," Otto recalls. "With us, you will have a constant price comparison: bureaucracy against private industry. So in 1959 we got permission to make the country's 5-, 20-, and 500-mark notes, with the Bundesdruckerei retaining its production of the 5-, 50-, 100- and 1,000-mark notes."

(Otto, of course, would have loved to be able to put the firm's name, in tiny letters, at the bottom center of the German notes they printed. Not only is this prestigious, but it also constitutes a perpetual form of advertisement for a banknote maker. Since he couldn't get that concession from the Bundesbank, he settled for an almost invisible compromise: if a diligent banknote collector looks with a magnifying glass on the lower right "2" of the figure "20," he will detect the G&D logo; and also on the 5-mark note in the lower center.)

I asked Otto if, indeed, the G&D notes were cheaper. He shrugged."A bit.|We were more efficient, even with the profit factor added on. But, what made the arrangement particularly meaningful was the coming of the Wall in 1961. Everyone felt more comfortable that the

country wasn't dependent on a plant so near the Wall and the Communists." (Siegfried Otto makes no secret of his strong, right-wing views. For many years he was a close friend of the late Reinhardt Gehlen, former head of the Bundesnachrichtendienst, the West German CIA. Most people I talked to, believe that Siegfried Otto and his firm did many special, security printing favors for the secret agency.)

About the same time, Otto decided that it was time to get new, larger headquarters for the reborn Giesecke & Devrient. In 1960 the new G&D building was completed in Munich. The headquarters is an attractive, 8-story building with a top-floor penthouse given over to Otto's office and those of his many secretaries—plus a large executive washroom. At right angles to the headquarters are two gray-and-white annexes forming an L.

Back in 1955, Otto went on, "I was looking for another country in which to operate, in line with my determination to have more than one leg, more than one flag. On a visit, I decided Mexico was the place. It was still in early development and not too big. So I founded a company there in 1958, to turn out bonds and stocks and documents for Mexico and Central America."

Another version of the decision comes from a friend: "He fell in love with a Mexican actress and what better excuse to make frequent visits to Mexico than having a G&D plant there?" But another friend thought the actress thing was only incidental. What Siegfried really had in mind was a base to begin an assault against the solid lock American Bank Note had on Mexican note production.

As a result of his Mexican branch, Otto goes on, he was appointed Honorary Mexican Consul in Munich.

It was not a unique honor. Munich has a large consular corps of some 70 men, including 44 honorary consuls. A Munich newspaperman filled me in on the setup:

"As the honorary consul you become the semi-official representative of the government. Naturally, this saves the foreign countries lots of money since the honoraries aren't paid a mark. Why do Munich businessmen want such honors? Well, you get CC (Corps Consulaire) license plates for your cars, which helps—and you get invited to most diplomatic functions."

Siegfried Otto adds some details: "It is not a cheap honor. I have to employ two persons full-time, and one half-time, to run the consulate, which handles visas, tourist permits and the like. When Mexican dignitaries and sports stars come here, I'm expected to entertain

them and have them meet the important people of Munich. Make no mistake, it's *expensive* to be an honorary consul."

I asked him what he got out of it. "Nothing. And my Spanish is not very good, either," he added with a tiny smile.

Often, he's asked why G&D doesn't sponsor "open-house" tours through the banknote plant, the way the Bureau of Engraving does in Washington. Otto gave me a section of the firm's 125th Anniversary volume which represents his views on the problem:

> . . .there is hardly another field of knowledge over which the veil of secrecy is drawn so effectively as the production of money and everything connected with it. One reason for this secrecy is the understandable desire to . . . keep techniques secret.
>
> . . .Accordingly, the literature is sparse, and the training of the necessary new personnel is limited to extremely small groups . . .Although the inventions in the field of security printing techniques number in the thousands, patent applications are filed only for a fraction of them, and the great majority are kept secret.

After he got half the banknote production of West Germany for his firm, Siegfried Otto decided that the next step was to have an indigenous source of the banknote paper. (There had been a security paper-making plant in East Germany.) "We were dependent on the British firm of Portals, and the French firm of Arjomari. Why couldn't we have our own firm making this special paper?"

His arguments impressed the heads of the Bundesdruckerei and the Bundesbank, the country's central bank. But some felt Otto was getting too ambitious with his desire to have his own plant, a local monopoly. So they came up with one of Otto's old debating points: surely, it was better to have two legs rather than one. The Bundesdruckerei now sponsored a new security paper plant, via subsidy, at an existing paper plant.

Naturally, Otto was resentful that his old argument had been turned on him, that public funds were being used to create unnecessary competition. But he persisted. Eventually, G&D invested some 70 million marks—then about $18 million, including the cost of extensive bank loans—to construct the largest and fastest security paper plant in the world at Gmund, about 100 miles north-west of Munich.

It was a big gamble—"ten difficult years for planning, designing, constructing and putting into operation new production facilities,"

Otto points out. Meanwhile, of course, he had to endure the competition of the government-sponsored plant. "Fortunately for us," he says, "their plant went broke in two years. After that, things got easier for us and we had our first profit four years after we finished building. We now supply more than 30 other countries with banknote paper."

By 1970 he had become one of the giants of the banknote world. And unlike his rivals, De La Rue and American Bank Note, Siegfried Otto was not only in titular control of his firm but, in fact, was its principal owner. He controls 91% of the firm's stock while his brother-in-law Ludwig Devrient—in charge of the technical end of the works—has about 2½%, and the rest to various family trusts.

An informed Munich banker explained how the obscure son-in-law was able to win absolute control of the firm that now does $100 million worth of business a year.

"There was nothing devious or underhanded," he stresses. "You must keep in mind that in 1949 when Siggi took over, there wasn't much to take over. No plant, no orders, no machinery. Only what you Americans call 'good will' and the trade name, Giesecke & Devrient. Without Siggi there would have been nothing. But still, innovators and pioneers are not always justly rewarded with generous bonuses of stock and the like. Siggi simply made sure that he *was* rewarded even as he kept on building up the business. As he expanded, the firm needed more capital to be put up by existing stockholders. Siggi got his by bank loans, but the other members of the family were much more cautious, or possibly they couldn't get bank loans as easily as he did. So they didn't contribute and as a result Siggi kept getting larger and larger shares of the stock because he kept putting in more and more of the capital. In the end, he had the lion's share. Everything considered, really, it's no more than just."

Siegfried's marriage to Utta Devrient began getting rocky by the early Sixties. The couple by then had two sons and two daughters. The eldest, Verena, now 32, is married and has one child. Her husband is in the firm. The other daughter, Claudia, is 29. Her sons, Tillman, 26 and Yorck, 23, have been getting technical and MBA educations in Germany and abroad and are expected to take their places in the firm soon.

In the mid-Sixties the Ottos separated—they weren't divorced until 1971—and Siegfried Otto's reputation as a playboy dates from

around then. There are two schools of thought in Munich on whether or not Siegfried deserves the appellation.

A friend of the family says: "Mostly the marriage went sour because Seg worked too hard. He was away from home too much. Up to then he may have had little friendships here and there, but that didn't seem to matter. But when Utta decided he was more married to the business than to her, the parting had to come."

Another family friend adds: "He makes it appear he's a playboy. He was one of the first in Munich to get one of the 300 SL Mercedes, the ones with the doors that fly up, and he always seemed to have girls to match. He was one of the first local businessmen to get his own Lear jet with professional pilot. (It's now a Falcon 20.) And then he loved to dine, never alone, at the Kafer, an expensive restaurant. The place to be seen. The mystery for me is when does he find time to cultivate these girls? He is, certainly, one of the hardest-working businessmen in West Germany. It's not unusual for him to put in ten-hour working days, seven days a week. How does he do it? Perhaps," he concluded, with an amused glint, "you can get your *Playboy Magazine* to interview him on how it's done."

Another acquaintance solved part of the mystery: "The answer is that it can't be done without paying a price. Siggi paid the price two years ago: he had to be operated on for ulcers." Appropriately enough, the firm's ancient motto is: "Tugend durch Arbeit"; "Virtue Through Work."

Siegfried Otto lives in a ten-room, two-story stone house in the expensive Munich district of Bogenhausen. An American visitor who was a guest there, described the place as "virtually a museum. The walled-in grounds contain two separate eating areas: one totally Bavarian country style, and the other totally Mexican. In honor of his consulship, of course."

(Otto also borrowed a not-so-subtle trick from De La Rue which has long maintained a lavish Riviera villa where central bankers—actual or potential customers—are entertained while they get some Cote d'Azur tan for a week or so. G&D's version is a couple of well-furnished guest houses in Germany: one near a ski area and another on a large lake.)

Even in the Fifties, G&D moved boldly to try to recapture some of the old foreign banknote business it once had. In 1955 it won a contract to do the Peruvian notes, a particularly satisfying commercial victory because Peru had been the first foreign client of G&D back in

1876. Other post-World War II customers of the firm included Egypt, Bangladesh, Cambodia, Maritania, the Philippines, Zaire. And Rhodesia—which turned out to be a great embarrassment.

As the official company history puts it:

> We have always attempted to remain as independent and uninfluenced by political change as possible and to carry on 'business as usual' with the rest of the world. We have not always succeeded. A case in point . . .was the order from the Reserve Bank of Rhodesia, which entrusted us in early 1966, after Rhodesia's unilateral declaration of independence, with the development and production of a completely new currency. We accepted this order (for 28 tons of banknotes with a face value of $165 million), after careful examination of all the legal circumstances . . .

Two hours before a shipment of 2.2 tons of banknotes was supposed to leave Frankfurt for Salisbury, the British consulate obtained a German civil court injunction to prevent the plane leaving because the notes were "counterfeit." Then Frankfurt's chief public prosecutor promptly began an action against G&D on the grounds they were party to the manufacture and distribution of counterfeit money. Why counterfeit? Because these "Munich Millions," as the press began calling them, had been ordered by a legally nonexistent president of a nonexistent bank.

G&D counsel argued that the notes were not money at all until placed in circulation by the Reserve Bank of Rhodesia. "Until then the notes are to be considered an industrial product like any other. And there are no regulations against the exporting of bank notes as such . . ."

A few days after Christmas, 1966 the Fifth Criminal Court in Frankfurt had a present for G&D. They completely absolved the firm: "The banknotes which were to have been shipped to Rhodesia were then worthless but not counterfeit . . ."

The temporary civil injunction remained. The British kept postponing hearings on the injunction and meanwhile Britain and the U.S. kept bringing pressure to bear on the Bonn Government. In March, 1967 the Bank of Rhodesia in Salisbury announced that it had abandoned its rights to the notes in order to save the West German government from "embarrassment."

G&D was released from its contract; the British Government paid the firm $500,000-representing the unpaid portion of its print order—

and the notes were destroyed in Germany. The note order went to the banknote printing works that Bradbury, Wilkinson had, years ago, helped set up in Pretoria for South Africa.

* * * *

Since Giesecke & Devrient is privately owned, the firm issues no public profit-and-loss statements. "You can say we are quite profitable and liquid," Siegfried Otto says, with slightly pursed lips. "You could say that we have had about a $100 million annual turnover and it wouldn't be out of line to say that we have a profit of 8-9% before taxes." The firm turns out about 650 million banknotes a year and some 350 million travellers checks for German banks.

Siegfried Otto expects to make it even more profitable with several innovations he's introduced into the banking world.

Until 1955, the leading German banks had their own, competitive travellers checks, just as Bank of America, National City Bank, and American Express do in the States today. But the banks underwent considerable losses because of counterfeiters. Then in 1955, the banks—persuaded by Siegfried Otto—decided on one uniform travellers check. By standardizing production, advertising, distribution and cash procedures, the cost-effectiveness was improved. And security was enhanced considerably. For 20 years, until 1975, the German banks were unique with their single, standardized travellers check. (Reisescheck.) That year, the Swiss banks copied the German innovation—and used the same printer, G&D.

Siegfried Otto looked around at the millions of Germans who didn't use travellers checks routinely: ordinary individuals with ordinary bank checks which, alas, weren't very useful. Most German hotels, restaurants and stores usually had signs: "Personal Checks Not Accepted Here."

G&D came up with an imaginative and very profitable solution: Eurocheques. There are some 30 million private checking accounts in German banks. The more you have in your checking account—which, unlike those in the States does get tiny interest, less than 1%—the more Eurocheques your bank will be willing to issue you. If you have a good credit rating, for example, the bank would be willing to give you, say, 25 Eurocheques that can be cashed easily for 300 Deutschemarks each (about $120), once you sign your check and show your Eurocheque card. There are now 200,000 bank offices in some 40 countries where Eurocheques are honored. As Otto puts it, with pride, "In a few years the Eurocheque system has

become one of the biggest cashless payment systems in the world. More than twelve million Europeans now use cheque guarantee cards. It is the only European means of payment that is uniform throughout Europe and has already been used billions of times in just a few years. It may be a significant step towards the political and economic unification of Europe."

Although the European checking-account holder does pay a slight fee for his 25 Eurocheques—about two cents each—I still wasn't clear why German banks were so anxious to help their depositors make it easier for themselves to cash their checks anywhere in Europe. After all, setting up such a great, new innovative banking arrangement must have entailed sizable printing and internal security costs.

Siegfried Otto explained: "With the Eurocheque system we have the perfect means of encouraging the bank customer to keep more money in his checking account. The size of it determines how many Eurocheques he can get from his bank. If the Eurocheque system can be the means of getting depositors to keep just another $1,000 in their checking accounts—on which the bank pays less than 1% interest—why, just think of how far ahead the bank is; how much more money it has available to lend out—at far greater rates than 1%, of course. Believe me, bankers *love* Eurocheques. So do we." He cautiously admitted that G&D does "between a half-billion and a billion Eurocheques a year."

U.S. banks have experimented boldly with the expensive EFTS (Electronic Funds Transfer System)—to introduce a cashless society where currency wouldn't have to change hands for a purchase. But Siegfried Otto remained skeptical. "The fact that the banks invested and lost possibly a billion dollars on its experiments with EFTS," he says, "shows that the public isn't ready, or possibly, just doesn't want a truly cashless system, where purchases are electronically and immediately debited against their checking accounts. The world still prefers to use cash where possible.

"For 250 years in Europe and elsewhere, banknotes have performed their essential economic functions reliably and successfully. Hundreds of millions of times each day, in millions of places, banknotes make payment operations possible. The bulk of these payments cannot be transferred economically to a cashless payment system, much less computerized. The banknote will retain and increase its great economic importance in the future because . . . its simplicity and cost cannot be improved on by any other means or system of

payments."

To anticipate tomorrow's cash needs, Otto created a separate G&D research and development unit in 1970, the GAO (Gesellschaft fur Automation und Organisation). It now has 130 scientists, engineers and technicians. Among other projects, it developed G&D's own line of automated tellers and cash dispensers. It's still not up there with the leaders, Diebold, IBM, and National Cash Register—which have more than 38% of the world market between them.

On average, these increasingly ubiquitous cash dispensers cost about $30,000 each and Otto is convinced that they help make banknotes more popular than ever. (The world now has 70,000 automated bank tellers.)

* * * *

In a world with more and more banknotes every year, the great problem continues to be: how does the nation's central bank handle the worn notes that come back to it from thousands of banks?

"What the world needs," Otto says, with the authority of one who has displayed considerable prior prescience, "is an automatic banknote, a note that can be reliably identified, read, and handled by machines. There are just too many billions of notes in circulation for nice, quiet ladies to count them at the central bank."

Otto's conclusion isn't particularly novel. For some time, several other firms have been manufacturing machines for central banks—machines that count the returned currency, check it for possible reuse, for counterfeits, and then count and bundle it accurately. For example, in the U.S. a leading supplier is Recognition Equipment, Inc., of Dallas, which in 1978 got a $12 million contract to supply the Federal Reserve Bank system with 50 high-speed currency verification, counting and sorting systems. These systems can process up to 72,000 banknotes an hour. Similar equipment is made in England by Crosfield, a division of De La Rue.

These systems have an inbuilt drawback, Otto says. "They are optical reader systems. A magic eye, so to speak, scans the note quickly to see if it is reusable, if it is counterfeit; what's its serial number, and so forth. But a lot of old banknotes are very dirty, which means that they have to be processed by hand because the optical system can't see too much behind the dirt on the note. The present system tests the genuineness of the notes; in the U.S. it's done by checking on the magnetic ink factor, the amount of fluorescence in the paper and the

like. The trouble with all of these is that the optical system can either be fooled or it is limited: it can only see what's there, *if* it's visible."

His vehemence is not casual: his firm has developed what he considers a much smarter machine, one that senses not only what's on the surface of the banknote, but one that can also check the invisible—the secret, indecipherable material *in* the banknote.

On first telling, it sounds as if G&D has come up with its own brand-new concept. But further inquiries among European banknote technicians indicate that the prior credit clearly goes to a Swedish firm, I. D. Kort of Solna. In Swedish, I. D. Kort means pretty much what it sounds like: ID card.

In 1968 the firm was set up by the Swedish government to develop, manufacture and market identity cards on a commercial basis. The government owns half the company's stock and the rest is owned by banks and private interests. (The sharp rise in check forgery in Sweden led to the need for a forgery-proof identity card.) Since then, I.D.Kort has also acquired a monopoly on Swedish driving licenses.

One of the techniques I. D. Kort pioneered is what it calls "VerlDoc,":

> . . . a method to mark valuable documents in such a way that it can be determined swiftly and reliably whether they are genuine or forged. . .The marking is completely invisible to the naked eye. The document is coated with a compound which has the property of emitting light of different wavelengths when it is illuminated by a light of a given wavelength. . . The degree of security against forgery must be seen as extremely high. The light-emitting substance in the compound is not available on the open market. It is not sufficient for a counterfeiter to elicit the substance used. He must also have knowledge of the exact proportions of the compound used for each document and the exact location of the marking. . . VerlDoc products do not constitute a hazard to health and no risks are incurred either in their production or their handling. . .

According to ID Kort, Giesecke & Devrient scientists came up with their own approach in a case of "dual invention," so that G&D doesn't have to pay ID Kort any licensing fees.

Now that G&D is putting an invisible, undetectable, unanalyzable ingredient into its German banknotes, it clearly calls for a completely new generation of counting and counterfeit-detection machinery by

the central bank.

G&D has developed two such electronic devices: the ISS 300 and the ISS 3000. The first, at about $75,000, is for smaller banks that have to process, say, 4-12 million banknotes a year. The larger machine is for central banks that have to do at least 15 million notes a year—and can afford to spend about $650,000 for the machine.

"Two operators on the big 3000 model," Otto explains, "can replace 35 women inspectors. We made the machine so cheap that the investment in it can be recouped in 2½ years through labor savings."

Siegfried Otto attains a rare degree of enthusiasm when he describes just how inscrutable the magic ingredient has made German banknotes. "For the first time in history, the counterfeiter no longer knows *what it is he has to counterfeit* . The ingredient we put in the note is not only invisible but impossible to analyze."

I murmured about the marvelous new chemical-analysis devices on the market: gas chromotography, neutron activation analysis, and the like.

He smiled serenely. "Yes, my scientists went through all that long ago. First, we gave 1,000 test banknotes with the secret ingredient to the German bureau that's like your Bureau of Standards. We told them there was something concealed in the banknote, in the paper or the ink, and challenged them to tell us what it was. They spent a few months and $35,000 trying to find it; they couldn't. We gave another 1,000 test notes to Interpol in Paris and gave them the same challenge. They couldn't. At most, the ingredient adds anywhere from 2-10% more to the cost of making the note."

The tests weren't confined to Europe. Siegfried Otto worked out a deal with Edward Weitzen, head of International Bank Note in New York, which controls American Bank Note, to be selling agents for the machines in the Western hemisphere. In March, 1978 at Congressional hearings on the Treasury and Post Office Department budget requests, Seymour Berry, who was then Director of the Bureau of Engraving, described some tests given the ingredient by the U.S. Bureau of Standards. He called it a "signature."

"We implanted this signature into a dollar bill and sent it to the Bureau of Standards for analysis. It took them four months before they could define an ingredient. And defining the ingredient in itself means nothing, because you must have the technology to reproduce it. We were favorably impressed with the amount of time it took them

to, so to speak, break the code which was a rather simple one since we used only one ingredient, and not a combination."

Mr. Steed (Dem.-okla.): Will this signature also lend itself to be identifiable in the cash registers of the merchants of the country? (Tom Steed is a former newspaper editor.)

Mr. Berry: It could be. I have seen a little device about the size of a calculator with all sorts of white buttons, and if you put a treated note on that, it lights up while an untreated note does not. . . I can foresee where it even could be incorporated into a cash register. . .when you give a cashier a $20 bill, as a matter of practice they lay the bill on top of the register to make sure they are making change for the right denomination. It would be just as simple to lay the bill on the device to see whether the light goes on.

Mr. Steed: You ought to patent that idea.

Mr. Berry: I think someone else already has that in mind. . .

In fact, patenting the secret ingredient is the last thing that Siegfried Otto has in mind. As he puts it, in a confidential memo given to central bankers who witnessed a demonstration of the ISS 3000 machine:

> Since the characteristics are invisible, they can be kept secret. This is the reason why we intentionally abstain from publication in scientific literature, or disclosure in patents.

Even a central bank purchasing the $650,000 machine can do so only on condition that very few persons in the bank will be let in on the secret governing the ingredients. Those let in on the mystery, have to sign "confidential agreements."

While G&D was willing to have "confidential demonstrations" of its marvelous new 300 and 3000 series machines, it is much more close-mouthed about a far more expensive device which has to be bought in order to make the other machines effective. These are the machines which impregnate the banknotes at the time of manufacture so that they zip right through the special money counters properly, as genuine money and not counterfeits. And these machines—the impregnators—cost about $7 million each. In late 1977, the U.S. was actively considering buying two such machines from American Bank Note. But that transaction is unlikely now because of some hearings held in early May, 1979 by the Senate's Permanent Subcommittee on Investigations. The Senators were concerned with charges that James A. Conlon, while Director of the Bureau of

Engraving, had deliberately not told his superiors that in seven months he expected to be an employe of American Bank Note at a great raise in salary. (See Chapter 4.)

During the Senate hearings, investigator John Walsh did further checking at the Bureau of Standards on just how much trouble they had with the mysterious ingredients in the banknote paper that Conlon had sent on. As Walsh testified:

> I don't want to give all the details of the examination because we are informed that they may be sensitive. But basically the examination (by the Bureau of Standards) disclosed that the material which was on the paper was identified. And the technicians at the Bureau of Standards informed me. . .that an examination could be made which would detect this material using commercially available equipment and at a fairly low cost, around $75 to $100.

In any case, on May 3, 1979 Philip E. Coldwell, a member of the Board of Governors of the Federal Reserve System told the Senators that procurement of the Security Signature System "should be deferred pending further research." One of the main reasons was that the system "does not satisfy all of the Government criteria for an anti-counterfeiting technique." (As of October, 1981 the Federal Reserve wasn't buying or even testing the G&D machines.)

I was still curious enough about the mysterious ingredients, the rare earths, used in the current German banknotes, to make some further inquiries. Since those already on the inside naturally wouldn't talk—why take any risk when millions of dollars' worth of possible sales could be involved?—the answers had to come from outsiders. As it happened, a man who was ideally qualified also happened to be a prominent banknote collector—Dr. Richard E. Dickerson, who is professor of chemistry at California Institute of Technology. (See Chapter 15).

"There are," he told me, "only 15 rare earth elements. These include lanthanum, cerium, praseodymium, promethium, terbium, and a few others. But when you consider all the compounds these rare earths can enter into—sulfates, oxides, nitrates, and so on—we have a family of rare earth compounds that range between 2-3000.

"I suppose what they've done in Munich is make some artificial rare-earth mixtures which are put into the banknote paper or ink. Could it be broken down and analyzed accurately? Here we have a peculiar professional problem. Rare-earth chemistry was big a

decade or so ago, but right now there aren't too many devotees. We have fashions in chemistry, like everything else. At a guess, I would say there are 75-100 top chemists around the world who are expert enough on rare earths and have the necessary expensive laboratory equipment to tackle the problem. There's no sense turning to the modern favorite means of chemical analysis of the unknowns: gas chromotograph;y and neutron activation analysis. No help there. My hunch would be that spectroscopy might help. Every element, including the rare earths, has its own pattern of spectral absorption, their signatures, so to speak. What the test might be is shining a certain kind of light—ultraviolet perhaps—on the bill. The reaction to that light might provide the answer as to whether or not it has the secret ingredient. But I have a hunch no large firm would go out on a limb if detecting the substance were that easy, comparatively. I'm sure they've made it very tricky."

He was inherently skeptical, though, of any magic ingredient's *permanent* resistance to chemical analysis. "Don't forget, a century ago the French were sure they had the ultimate means of foiling the counterfeiter: just use blue ink for the notes. Why blue ink? Because everybody knew then that blue couldn't be photographed. And then, before long, it *was* photographed . . ."

* * * *

I had saved for last, one of the more sensitive questions for Siegfried Otto— the disaster the firm narrowly averted in 1940: a catastrophic undertaking that would have made certain that Giesecke & Devrient never emerged from denazification proceedings as a viable organization. In fact, it would almost certainly have ruined the firm forever—*unless* Adolf Hitler won the war.

"You must understand," Otto begins, "that I can take no credit here. I was too minor a figure in the firm. In 1940 when the problem arose I was a full-time army officer who got back to Leipzig on leave only every now and then. No, the man who saved the firm and its reputation was Franz Helmberger who died in 1956. We owe him an incalculable debt."

The dangerous situation began late in 1939, shortly after the Nazis had overrun Poland and World War II was under way. Just about then, a Viennese named Dr. Albert Langer came to Berlin with an interesting proposal. Dr. Langer—who had a doctorate in physics and mathematics—got a ready hearing, because during the First World War he had been with Austrian Intelligence and between the wars

was an instructor at the Austrian police academy. His specialties were secret codes, inks, and the combatting of counterfeits. He was about 45 then.

A friend of mine who knew Langer, called him, "one of the strangest men I'd ever met. He had what the experts call an eidetic, or photographic, memory. He used to boast that he had read 20,000 volumes and that he could recall any page in full detail. It wasn't an idle boast. He could. He also was fairly fluent in eight languages. He was of medium height and although only 45 or so, had white hair and a heavily-lined face. He was fantastically nearsighted but still vain enough not to wear glasses. So everything had to be read two inches from his eyes."

Langer got an interview with Reinhard Heydrich, recently appointed chief of the new Reichssicherheitshauptamt, or RHSA, the Reich Security Administration. In the one-hour interview, Langer laid before Heydrich a vast, detailed plan for counterfeiting British pound notes, particularly the large 5-, 10-, and 50-pound varieties. Heydrich liked the idea and passed it on to Heinrich Himmler, chief of all German police and security forces and, after Hitler, the most powerful man in the Third Reich. Himmler quickly approved the plan.

Langer's plan called for a massive counterfeiting operation. The resulting notes would be distributed over leading British cities from low-flying German bombers. Within a month, Dr. Langer predicted confidently, the British banking system would be in complete collapse and soon after the industrial and commercial structure of the country would be brought to a standstill. Without expending a single German life, Britain would be conquered.

The endeavor promptly got a proper wartime appellation: Operation Andreas. (At Langer's suggestion, it was named after Andreas Figl who had founded the code-breaking section of the Austro-Hungarian Army in 1911.) Langer was assigned several offices and the basement of a villa used by the Foreign Intelligence Service on Delbruckstrasse in the fashionable Grunewald section of Berlin. Special presses were moved in and a couple of reliable Nazi engravers were hired. Months went by and the output was still very small. The notes Operation Andreas produced simply weren't good enough to pass a simple test: approval by a trusted foreign exchange bank teller in Berlin. He dismissed the notes almost instantly.

By the end of 1940, Heydrich and Himmler decided that the idea

was good but perhaps Langer wasn't the man to lead the operation. The notes his small staff had produced were placed in a locked closet and the rooms in which he had worked were sealed off. The project was liquidated and Dr. Langer was assigned to teach code-breaking.

Heydrich and Himmler still liked the idea. Obviously, it was beyond the well-meaning capabilities of someone like Langer who had never manufactured a proper banknote. But in Germany there was a private firm that had been making banknotes for Germany and many countries abroad, for more than 90 years: Giesecke & Devrient of Leipzig.

A high-ranking emissary from Himmler came to the G&D executive offices in 1941: the highest levels of the Third Reich required the secret cooperation of the firm in a special project—the counterfeiting of British pound notes. The emissary even came prepared with counter-arguments, if necessary. Didn't everybody know that the British firm of Waterlow & Sons had counterfeited German postage stamps in World War I? It was the solemn duty of the loyal German firm of Giesecke & Devrient to work for the national good, and so on.

The Leipzig records of the firm were destroyed in the 1943 bombing raids and there is no written record of the firm's reaction to the pressure from Berlin. Obviously, it was resisted, all the more so because the firm's technical director, Franz Helmberger, had some previous experience in saying no to the Nazis.

From 1921 to 1933, Helmberger had been director of the German banknote printing works, the Reischsdruckerei in Berlin. When the Nazis came to power, he was ordered to replace all employes with "questionable backgrounds"—i.e., Social Democrats, Communists, and of course, Jews of any kind—with loyal Nazi Party members. Helmberger refused and was promptly dismissed with a one-line press release: "Director Helmberger has been separated from government service." Some 300 others were also fired.

Although Helmberger wasn't a political activist, he did have a brother who was an editor on a liberal Berlin daily.

In 1933, Helmberger was 56 but he had been director of the nation's banknote-printing service for 14 years and Giesecke & Devrient thought his services would be most useful. He was hired as head of its technical department.

Siegfried Otto remembers him fondly. "He was one of the world's great authorities on intaglio printing, on banknote making. He was

probably the best-informed banknote printer we had in Germany. I was fortunate that I learned the business from him. He was also a good teacher."

Clearly, he had other qualities the firm valued, for late in 1941 he was selected to go to Berlin to try to get the counterfeiting order rescinded. Siegfried Otto has no idea why Helmberger, somewhat suspect to the Nazis, was chosen to persuade Herman Goering, the economic czar of the Third Reich. No one knows what arguments or other persuasive means Helmberger used on Goering. But he did succeed, and Goering countermanded the official order. Giesecke & Devrient was off the hook. (Helmberger died in 1956, and left no account of his interview with Goering.)

There is, unfortunately, no reference to the event in the firm's official history of its first 125 years, brought out in a handsome, very expensive brochure in 1977. The only information on the firm's wartime activities is contained in two paragraphs: :

> In our view the craftsmen and artists of Rome in the later period of antiquity had no need to be ashamed of the fact that they were ruled by Nero. Nor do we feel that we should be ashamed of the honest work we performed under the 'Third Reich.' In those anomalous times, our by no means easy task consisted of continuing the modernization of our firm, preserving jobs, and above all, carrying on 'business as usual' with foreign countries.

* * * *

Unable to get the banknote firm into the secret scheme, the Nazi RHSA looked around for another man to get the operation reactivated. They chose an obscure RHSA official, Captain Bernhard Kruger. It wasn't a casual choice.

I first met Kruger in the spring of 1957 when I flew to Hannover, Germany, to get his story. Over several days in Hannover and later in Berlin, he gave me the full details of the counterfeiting operation he was chosen to lead. It resulted in a long magazine article that was widely reprinted around the world. Kruger and I became partners in a film property based on his experiences. It was optioned several times, but never filmed. In the intervening years, we've kept up an intermittent correspondence.

(The Nazi counterfeiting operation has been the subject of numerous books and many magazine articles since my first meeting with Kruger. But my interviews with him represent the first and last

time he's given an inside version of the operation. What follows is a much-abbreviated version of the original account.)

He was born in 1904 in Riesa, about 40 miles east of Leipzig, where his father was a civil servant. Kruger became a textile engineer and, when he was laid off, became a Nazi Party and SS member in 1931. In 1939, he was a captain in the RHSA, specializing in training SS men help in setting up listening posts for foreign broadcasts. In 1940 he was sent to Paris to get U.S., British and Canadian passports and identity cards for American seamen and wireless operators. When he returned to Berlin, he was given formal command of Section 4 which had the task of forging those passports and identity cards for Nazi agents. He succeeded in finding the deliberate errors hidden in the passports as a check on their validity.

> To honor the birthdays of top officials of the Secret Service, my staff used to make British and American passports for those men, complete with their pictures, border stamps and proper British and American stamps to show when they had arrived in those countries.

His success with the passports revived interest in the dormant counterfeiting scheme.

> On the balmy morning of May 8, 1942 I was told that Walter Schellenberg, the clever head of the Foreign Intelligence Service wanted to see me. Schellenberg who was then only 32 and hated by many older Nazis got to the point directly. 'Last night I was given an order from Reichsfuhrer SS (Heinrich Himmler) which I am passing to you now. There will be no written orders in confirmation, so listen carefully. You have been chosen to take charge of a new effort to make British pound notes. The work is to start immediately. Himmler has ordered the following measures: (1) the printing plant which is to be considered a Geheime Reichssache (Secret Business of the Reich—our highest security classification) is to be located in a specially guarded barracks in the Sachsenhausen Concentration Camp. (2) All the men working under you on the project must be Jewish prisoners. In your honor and in anticipation of great success, the project will be called Operation Bernhard. You are expected at Sachsenhausen tomorrow.

As he left his office, Kruger later recalled, he was

> . . .staggered by the problem. I knew and the Jewish prisoners would know quickly that their selection for this task

> could have only one meaning: they were chosen deliberately so that at the end of the work they could be killed. Knowing this, how could I get them to work for me faithfully, without sabotage of the plates and banknotes made?

The next day he made his first visit to a concentration camp and selected 37 men from among 80 lined up for his approval. They had been selected because they had some experience in printing, publishing, paper-handling, banking, or some familiarity with machinery. He also selected a Jewish-Czech physician to provide on-the-spot medical care, because once the men set foot in the designated Barracks 19 they would not be allowed out again, for any reason.

Trying to win their loyalty, Kruger instituted two remarkable innovations: a special canteen where the prisoners could buy cigarettes and other items with their weekly wages—50 cents to $1.25 a week. They also got decent bread, meat, marmalade, and even butter which was then quite scarce. But the final touch, the measure that convinced even the most pessimistic prisoner that Kruger was earnestly trying to win their cooperation, was his announcement: they would be able to see a dentist in the camp once a week. Dental attention was the one thing that no concentration camp prisoner could get in Germany. Then Kruger installed a radio in Barracks 19 so that they could follow the news. He knew they'd listen to the BBC.

The project was proceeding slowly. A trusted SS engraver named Gebhardt had done the banknote plates and one of the prisoners—Felix Cytrin—had vastly improved them. The trouble was, the prisoner's couldn't work with August Petrick, an SS master printer who had been assigned to the project. He regarded the prisoners as "useless scum." Kruger takes up the narrative again:

> About this time (late 1942) the prisoners held a secret meeting in Barracks 19 to debate their course. Many were for sabotage of the project: by making tiny imperfections in the engravings and by ruining the special paper which was being made for us in the Schleicher & Shull paper mill . . . Finally they voted against sabotage . . . if the notes did not pass inspection the men would be killed and others selected to replace them. Their one hope, they agreed, was to place their faith in me, the Nazi who had been treating them with kindness so far.

The prisoners' relations with their instructor, Petrick, grew worse.

They took Marock, one of Kruger's lieutenants, into their confidence. Night after night they worked the machinery without Petrick. After two weeks they felt they could master the machines. They persuaded Lt. Marock to go to Berlin and to take with him Arthur Blume, the prisoners' elected leader. Kruger recalls

> It was Feb. 3, 1943, the day the great Nazi defeat at Stalingrad was announced. When I got over my surprise at seeing Blume outside the camp I listened to the proposal: the prisoners wanted ten days *alone* to prove they could work the equipment without Petrick. I weighed the alternatives. If the Jews overestimated their ability I was in serious trouble. Petrick had influential Party connections. But Operation Bernhard wasn't moving . . .I decided to gamble on the prisoners. Next day I told Petrick to take a two week 'furlough' with pay . . . Two weeks later the prisoners gave me their first solo results. The work was very good. I was elated and got rid of Petrick. To show my appreciation I let the prisoners receive parcels from their families and to wear ordinary civilian clothes and not the hated blue and white prison garb.

By now the relations between Kruger and the prisoners were so friendly that he let them keep a "war map" with positions as given by the BBC, not the German radio. He also got them musical instruments which several wanted.

The banknotes were printed four on a sheet. After going through the presses and drying, they were torn by hand twice, with the smooth paper sides filed to give them the appearance of hand-made paper. Then they were individually pierced by pins. For generations, English bank clerks have pinned notes together. Specially-made rubber stamps, mainly small ovals and squares, of British banks all over the world, were used to stamp the notes on the blank reverse side.

Kruger continues:

> In March, 1943 I was able to show my chief, Walter Schellenberg, our final products. He asked a friendly, large company's treasurer to include some of our notes in the firm's deposits in a large Berlin bank. He was thoughtful enough not to pull this trick on the Berlin bank where my wife worked as a teller. . .The notes passed, but Schellenberg wasn't satisfied. He told the head of the Criminal Police of a rumor that this bank had taken in a number of British counterfeits. The next day the Police counterfeiting experts went over every British

> note in the bank vaults. After six hours they concluded every note was genuine . . . What the best engraving and printing technicians of the Third Reich could not do I, a novice, and a few handfuls of ordinary untrained Jews had accomplished. . .

Schellenberg took the notes to his boss, Heinrich Himmler. He ordered production of a million notes every month. In addition, he gave Kruger permission to order whatever additional equipment he needed,, as well as adding to the number of prisoners in Barracks 19. Kruger met the prisoners and about a dozen fathers and brothers of the prisoners, who were in other parts of Sachsenhausen were brought into Operation Bernhard.

The fake pounds poured out steadily and were put to use almost instantly. The biggest single payout was to Eliza Bazna, the Albanian valet of the British Ambassador to Turkey. For reasons of his own, Bazna, better known as "Cicero," furnished the Nazis with some of the great Allied secret documents of the war. He received about $1½ million in forged British notes. Through various distribution agents in Italy and the Balkans, the notes were also used to buy small arms parachuted to the partisan forces and guerrillas by Allied bombers. When local partisans in Yugoslavia preferred to get General Tito's own currency, Barracks 19 promptly began making Tito bills. Another $250,000 worth of the forged British notes were used to purchase information from Italian sources on the place in which Mussolini had been imprisoned by General Badaglio's government. As a result, the former Il Duce was freed from confinement at a hotel in the Abruzzi Mountains. But all ideas of flooding the British Isles with the notes, to disrupt the economy, had long since been abandoned. For one thing, the number of notes needed was far beyond the modest capacity of the presses in Barracks 19. More importantly, the Nazis had long since lost control of the air over England.

By the summer of 1943, Kruger had 140 men at work in two shifts at the Barracks. Relations between Kruger and the prisoners had grown even more cordial. Every morning the prisoners who were orthodox could take a little time out to pray in their phylacteries behind the rack where the pound notes were drying.

By November, 1943 Kruger's group had run off several million notes worth more than $500,000,000. A few weeks later, Schellenberg told him the project was finished: there were more than enough notes. The prisoners should be returned to the regular camp and the machinery taken out of the barracks. Kruger continues his

story:

> I argued against this step. Now was the right time to begin working on U.S. dollar notes. Schellenberg let me win my argument. His heart was no longer in his work. He knew the war was lost. . .I called a meeting of the five prisoner representatives and I told them we had won a reprieve with the dollars . . .We would take our time. We were in no hurry. . .

Kruger had come to like his prisoners and, if possible, wished to spare their lives. But more important was his own: if the operation ended, he knew he'd be sent to the murderous Russian front. In December the forgery contingent received a valuable addition: Solli Smolianoff, a short, thin, dark, very professional counterfeiter. He was the only criminal the operation ever had on its roster.

While Smolianoff worked on re-creating the back of the U.S. $20 bill, Kruger had another difficult problem: the numerical and alphabetical sequences used on the U.S. notes. Several Nazis cryptographers and mathematicians were called in, but the solution eluded them. Then

> I had almost despaired of getting an answer when my secretary, Elsa Bleyer, showed me an article in the August 24, 1942 issue of Life Magazine, which reached us from neutral Sweden. Among other things, the article intended to show Americans how to spot counterfeit dollars. It also provided a chart showing the system of numbers and check letters on U.S. currency. . . Our great problem had been solved for us by an American censor who didn't realize that this information was of the highest military value. . .

(More recently, I talked about the *Life* article with Milton Lipson who, in 1942, had been a U.S. Secret Service agent. After the war he became head of the security division of American Express. "What happened was that I fed the *Life* writer a lot of our tricks of uncovering counterfeit but some other agents gratuitously added the secret numbering and lettering sequences . . .")

Actually, the information was a little too late for Krüger:

> In Feb. 1945 when Soli had not yet completed the face side of the $20 bill I was given orders to dismantle our machinery in Sachsenhausen and move on. . .In six railway cars the men, machinery and unused pound notes and plates were taken to Redl-Zipf in the Alpine Redoubt where we would make our last

> stand. We reached there March 7 and the men began setting up machinery and equipment in two barracks and a cave. To keep them busy I organized teams to work on German passports that would be used by SS officers trying to get out of Allied clutches by posing as ordinary travelling salesmen . . .

Kruger returned to Berlin, and at his office termite-bombed all the remaining plates and supplies. He and his secretary rode on to Redl-Zipf. There his lieutenants asked what should be done with the prisoners.

> I told them nothing must happen to the prisoners . . .Allied military victory was near and any Nazi who still thought of a policy of extermination was, in effect, committing suicide. That night when I was about to leave the camp, one of the prisoners, Max Bober, came to say goodbye and wish me luck. Later he and some other prisoners spoke earnestly to Elsa Bleyer—I'm sure they thought she way my mistress and fleeing with me. They urged her to persuade me to stay behind with the prisoners. In that way they would be able to protect me when the Americans came. Otherwise they were certain I and most other Nazi SS officers would be shot summarily. Mrs. Bleyer told me about the suggestion but I turned it down. I was still an SS officer and had to get to my department's new headquarters in Innsbruck for further orders. . .if any.

Kruger reached Innsbruck late in April, but the war was over and everyone was intent only on escape. He left behind several dozen passports for any officer who might want to use them. Kruger got himself some false papers and wandered around.

Meanwhile, the prisoners had been freed after a number of near disasters. In November, 1946 the British tracked down Kruger and arrested him. They held him for two years during which he was interrogated almost daily about the notes. The British turned him over to the French. Then,

> In 1949 three French officers visited me in my cell and made me an offer: they would take my family and myself to Paris and give me an excellent post in their secret service. I would do for them what I had done for the Nazis: make false documents and passports for their secret agents. I said, no, thank you, I had enough of making forged papers and money. So far, all it had gotten me was three years of imprisonment. In July, the French released me and I returned to my family in Dassel. Still

no word appeared about me in the press. In 1952 I was amused to read that I had died that year in Baghdad where I had fled with $10 million worth of pound notes. The truth was that I was unemployed and living in Germany on public welfare.

Not until September 27, 1955 did the German radio announce that Kruger was alive and living in Dassel. Soon after that he was taken before a denazification court. News of his trial reached several of his former prisoners and many sent affidavits to the court telling how he had helped save their lives. The proceedings lasted only ten minutes. Kruger was freed.

I met Kruger in May, 1957 in Hannover. Later we went on to Berlin for a reunion with several of his former prisoners, including Max Bober who confirmed Kruger's story. After, Kruger got a minor sales job for a savings and loan bank, and some money from the film option on his story, that I had written. But hardship followed him. In May, 1971 his wife died of cancer and in 1975 he discovered that he had it, too. He was operated on in 1975. Over the years, our correspondence has continued and I've been able to help him in small ways. In 1979, I told him I was going to see Siegfried Otto in Munich, and for a wild moment thought it might be amusing to bring Kruger with me: the man who had taken on the job that Giesecke & Devrient had been able to say no to. But there seemed no reason why Siegfried Otto, or G&D, would welcome this reminder of the past. Besides, Kruger at 75 didn't really think he was up to making the trip. "I've become an old gent and we are all dying off," he wrote. "My former secretary, Elsa, and Max Bober and many of the prisoners. Operation Bernhard must have taken place a century ago." He now lives with a son's family in Hamburg.

* * * *

From time to time, people still come to the Bank of England with some of the Kruger forgeries of the 5-, 10-, and 50-pound notes. The special note teller takes the note behind a screen, subjects it to a quick,secret test, and tells the owner that the note is a forgery and consequently the bank is confiscating it. The owner does get a receipt. Several persistent British collectors willing to take a risk, have tested the bank. They've presented good notes which were honored and were cashed in for modern British notes. (At a considerable actual loss to the collector, because of inflation) And they've deliberately presented notes they knew were made by Kruger's operation. In every case, these were labelled forgeries—in less than thirty seconds.

The Bank of England has never disclosed just how much it lost by Kruger's forgeries of the big, old-fashioned black-and-white pound notes. Some $640 million worth was turned out, but very little of that came back to England. By the fall of 1943, the bank knew of the forgeries and all notes coming from abroad were subjected to special tests for genuineness.

(The long, official investigation contained in what the Bank of England officials call "The Reeves Report," is still classified—one of the comparatively few World War II secrets that have remained locked away. Once, at luncheon in London with a former British espionage veteran, I said it did seem strange that Britain would disclose it had broken the German military codes, but wouldn't tell all it knew of the Nazi counterfeits. He said I shouldn't be surprised: "Money is always the last secret.")

If past experience is any guide, with the passing years the Kruger forgeries that still exist in the hands of collectors will undoubtedly appreciate in value. Any sardonic observer of British inflation rates might even be able to project a future date at which a Nazi forgery of a £10 note would come to have more value than the genuine article.

Adventurer from Sofia

"What would you do if you saw a man cheating at cards?" "Bet on him."—Overheard conversation, Regency London

We are seated in the living room of an elegant upper-floor apartment at 900 Fifth Avenue in New York on an April Sunday. The two attractive, mature women opposite me, Suzy de Gilly of Mexico City and Tildene Eggers of New York are helping me to clothe a ghost. Suzy is an official of the Mexican National Tourist Council and Tildene is the wife of Russell Eggers, a handsome 50-year old former Rhodes scholar who has been president of Bendix International and the Loctite Corporation where he made $200,000 a year. He is now the head of DNA Science, another new firm battling in the now-crowded field of gene-splicing.

What the women have in common besides being slender, tanned, well-dressed and married several times is the fact that they are the only daughters of the ghost: an improbable Bulgarian who became one of the legends of the banknote world. He began in Sofia and ended in Boston. In-between, he cozened Kemal Ataturk, enriched King Carol of Rumania, very nearly persuaded Communist Georgi Dimitrov during the wild NEP days of 1923 in Moscow. He convinced Mussolini in Rome in 1929 and then found his ultimate niche in China where he persuaded several finance ministers that his product, endless banknotes, was just what they needed. He emerged from his Chinese experience in 1940 with more than $4,000,000 in commissions, Chinese citizenship, a fair command of Mandarin and the assured conviction he was the greatest salesman the banknote world

ever had. He probably was.

In 1940 he came to Mexico and in a magnificent mansion in Angel, south of Mexico City, became the most lavish host of the country. Like other great adventurers, he made his share of mistakes. He gambled wildly, smoked too much; he invested in businesses he knew nothing about, and married the wrong women. And when the end came in Boston he had arranged his affairs so badly that with death he quite literally disappeared: his body vanished.

Like all proper ghosts he left no firm shadows behind: there is remarkably little in print about him:

His name was Albert Jacob Avramow and no one ever called him Al. He was below medium height, perhaps 5'4", but no one ever dubbed him Little Albert, either. No nicknames, diminutives attended him: like a historical force he simply went through his tight little world as *Avramow* . The only journalist who ever talked to him called him "one of those suave little men who live feverish lives at odd occupations."

He was born in Sofia, Bulgaria on May 17, 1893 and his later non-Taurus characteristics would have been the despair of an assembly of astrologers. His family had lived in Bulgaria hundreds of years, and were part of a lively community of Sephardic Jews that had been cast out of Spain in the late 15th century. At home, the family spoke Ladino, an ancient dialect of Spanish and Hebrew, spoken by a much smaller community than Yiddish, a combination of German and Hebrew.

His father, Jacob, was a free-lance entrepreneur who found a profitable niche as a supplier of horses and cattle to the Bulgarian army. He was easygoing, a chaser, and a drinking buddy of a lot of Bulgarian middle-ranking army officers who later became generals.

The family moved to Burgos, a port city of only 15,000. Albert was sent to the *gymnasium* —the European equivalent of our high school, plus a year of college—and did fairly well. But he was clearly not cut out to be a student. He was glib and restless.

In 1917 when he was 24, he met and married Rachel Ascher, 18. Her father was the head of the grain trade department of a large bank in Sofia. Today her daughters recall her as "very attractive and slim; elegant but shy." She always said that Albert "dazzled" her. Rachel's sister, Ernestine Semo, who now lives in New York, also recalls "Albert was an arrogant dandy with a gold-headed cane. Both families were against the marriage but my sister was madly in love

with him. She'd have given her life for him."

At first the young couple lived with Albert's parents—unhappily. The young groom was doing well helping his father in the horse and cattle supply for the embattled Bulgarian army, then allied with Imperial Germany in World War I. Bulgaria was a very minor ally and its territory wasn't invaded. It was also the first to surrender to the Allies in September, 1918. Early in 1918, Albert could see the shape of coming events and took his wife to Constantinople, Turkey where Suzy was born in 1918.

She was, she recalled many years later, "a great disappointment. My father had become very friendly with Kemal Ataturk and he had promised that if the Avramow first-born was a boy, he'd be it's godfather."

Later, Avramow never talked of his Turkish period which almost certainly means that for all his dealing there he probably didn't do too well. Late in 1920 the young couple and their daughter Suzy were back in Sofia. I asked Suzy if she remembered what her father looked like then: "Smallish, dark, black hair and rather slanty eyes . . . Asiatic looking." Then she added an unexpected: "He looked like a slightly smaller Rudolf Valentino."

Bulgaria in 1920 was ostensibly still a monarchy. King Ferdinand had been forced to abdicate, partly because he had placed Bulgaria on the losing side. He was succeeded by his son, Boris III, but the real ruler of the country was Alexander Stamboliski, a tall, heavyset orator with a great mane of black shaggy hair. He was leader of the dominant Peasant Party. Ostensibly, he was only premier but in fact he was dictator. He initiated a severe land-reform policy, imposed a heavy income tax on the press—and fought the Russian Communists in his midst.

In all, Bulgaria in 1921 seemed a terribly unlikely place for anyone with Avramow's talents. What helped, though, was a connection. An old school friend was the son of Marlo Tourlakoff, the Minister of Finance. Before long, Avramow found ways of making himself useful.

(Ernestine Semo, Albert's sister-in-law, recalls him then as "not handsome but a great and convincing talker. But what made him different was that he always had to associate with . . ." She turned to her daughter, Elena, groping for an appropriate current idiom. She found it: "What my brother-in-law was, was a big-shot groupie. He derived life, sustenance and maybe money out of them.")

With his friendship of Tourlakoff the finance minister, Avramow was able to make a better assessment of the governing powers. He pierced the facade of these selfless Savonarolas, righteous supporters of the peasants and saw things as they were. In theory, all cabinet members and Stamboliski were getting salaries of only $12 a week, and members of the parliament received $7 a week. But in spite of this, the insiders were prospering mightily. Houses and lands confiscated from the wicked bourgeoisie seemed to gravitate to cabinet members and the premier. In 1921 Avramow was entrusted with a financial deal by his new friend, Minister Tourlakoff. It required a trip to Paris. Avramow never discussed what he had to do in Paris, but he often told, with relish, of his trip back to Sofia. It was on this trip, via the Orient Express, that Avramow first entered the banknote world. It was May, 1921.

It was still the glamorous Orient Express, not yet destroyed by air travel. The Russian grand dukes, the Austrian archdukes, had vanished but there were still lots of new war millionaires, Balkan landowners, diplomatic couriers (always in pairs), opera singers and the high-priced *poules de luxe* .

Albert met fate in the dining car. He and the destined messenger shared a table for luncheon. They talked politely. They both boarded in Paris and both were men of affairs. The other man was Baron Gaston Stalins, a scion of an old Belgian family but French by adoption. He was excessively well-fed, had a neatly-trimmed full beard and mustache which made him look older than the 38 he was at the time. He spoke an elegant, florid French. At first he was put off by Albert's accented French but in time he was won over to the stranger by his stories of the great who travelled on the Orient Express. Albert told of the Viennese pimp who had a 20-year sinecure: he had a permanent order for a legendary, attractive red-haired whore to be aboard the Express for Basil Zaharoff, the arms salesman, when he was going to the Balkans; how Zaharoff used to offer venal officials cigarettes wrapped in high-denomination banknotes. Or how Albert's own King, Boris, loved to drive the locomotive of the Express from time to time. When he'd go into the locomotive cab he always donned a tailor-made white uniform. Albert assured the vaguely alarmed Baron that the King was not driving the locomotive on this trip.

When the ice had been broken sufficiently, Albert asked what brought the Baron to Sofia, his destination. He had made it clear that

he, himself, was a prominent Sofia businessman, a partner in the well-known commission firm of Avramow Freres. The Baron confided that his mission was as a representative of the American Bank Note Company. He was going to make an offer to the Bulgarian National Bank for a new issue of banknotes. Several other banknote firms were also sending agents to Sofia to get the business. In fact, this was his first assignment for the American firm.

"Then," said Albert, "you will need an appointment with my old friend, Marlo Tourlakoff, the Minister of Finance." Indeed, that was so, Stalins admitted. Did the Baron know M. Tourlakoff? No, he had never had that honor. In that case, perhaps Albert could be of some assistance. In fact, not to make too fine a point of it, he was certain he could get not only an appointment but also the banknote contract for Baron Stalins.

The Baron was no fool. Before he took on this voluble Bulgarian he thought it wise to explain some of the intricacies of the banknote business he had been absorbing in Paris.

He explained that there would be other banknote firms involved: Waterlow & Sons had already gotten an order in 1920 for the low denomination leva notes. That would presumably give them an edge. There would be De La Rue which was desperate for business. And there would be Bradbury, Wilkinson, also of London. To make matters more complicated, Bradbury was a subsidiary of his own firm, American Bank Note. For some inexplicable reason—he shrugged one-of-those-crazy-Americans shrugs—Bradbury and American Bank Note salesmen would be competing with each other and the rival firms for the Bulgarian order. Bradbury had a slight edge: in 1920 it had gotten a Bulgarian order for 1000-leva notes. The only fortunate aspect was that the German firm, Giesecke & Devrient, which had supplied Bulgaria during the war, was no longer in the picture now that Bulgaria was trying to live down its role as one of the former Central Powers.

He went on to explain that each of the banknote companies already had an agent in Sofia, an agent on commission only. The agent's job was to find out who was the proper person to *persuade* , to win over. As a matter of fact, American Bank Note itself had an agent in Sofia. Someone very close to finance minister Tourlakoff. His name was Vassili Hassardjieff and he was an assistant to Tourlakoff. His smug smile with this disclosure clearly meant: how much closer can you get? Now, asked the Baron, did M. Avramow

still think that he, single-handedly, could land this order for American Bank Note?

"Sans doute," Albert smiled confidently. "Marlo Tourlakoff is not only an old friend,but he has entrusted me with several important private financial missions. In fact, I was in Paris on one of them."

By the time they got to Sofia the men had reached an agreement: Stalins would split his 5% commission on the order with Avramow. Not quite an equal split: Albert felt that 3% was the very least he needed, for obviously he would have to make certain "payments" in Bulgaria. The long conversation clearly called for the polite exclusion of dirty words like, *pot-de-vin* , *douceur* , bribe.

In fact, Stalins was out on a limb. He was not *yet* an employe of American Bank Note. There had been long discussions with Joseph Claudet, the ABN vice-president in charge of sales, and everything was going well. But not until August 1, 1921 was Stalins actually offered the job heading the ABN Paris office for $12,500 a year, a very handsome salary for the time. In addition, he was to get a commission of 10% on work he had already secured—or lined up—such as Yugoslav banknotes and postage stamps, as well as Belgian Congo banknotes and stamps. But for all other work in Europe and the Near East there was to be no commission, only travelling expenses.

The Bulgarian National Bank had invited the banknote companies to submit bids for a new issue. No time limit was set, partly because Bulgaria wasn't sure of how much foreign currency it had. A special commission consisting of Prime Minister Stamboliski and Finance Minister Tourlakoff and aides were sent to Western Europe on a good-will mission, i.e., to see if they could get a loan.

In Sofia, Albert showed Stalins how well-connected he really was. His first letter to Stalins, July 15, 1921, shows his dedication. Apparently, Bradbury and Waterlow had already made secret offers to the Bank of Bulgaria. Wrote Albert:

> I managed to get these two copies in a purely confidential way and if I send you this it is done to keep you posted and guide you in establishing the new offer which you will send me. Please confirm to me in writing the rate of my commission on this business, bearing in mind that my commission will be payable immediately after signing the contract in Sofia, regardless of what the terms of payment which you can offer the bank.

There were delays on the banknote contract. Obviously, the rival

companies were putting pressure on *their* inside agents to clinch the deal. But Albert was confident that he could get it—but only if his commission was raised. By early 1922 he had succeeded in getting the full 5% so that Stalins was left with nothing—except for the fact that he had a cushy job with lots of perks. But still Albert wasn't satisfied. Now American Bank Note sent out its redoubtable vice-president, Joseph Claudet, who knew how to deal with these Balkan thieves. Albert went to work on M. Claudet and impressed on him the number of administration officials who would have to be included. Gradually he got Claudet to raise the commission from ABN to Albert to 7½%, so that in all some 12½% would be paid when Albert got the contract. What helped was that Avramow had been able to get a confidential letter in which Waterlow offered a *15%* commission.

On February 23, 1923 Albert got the contract; and that day Baron Stalins, still not sure what hit him when he encountered the little Bulgarian on the Orient Express, paid Albert $55,381. It represented 12½% of the total order of $443,000, a fair-sized one but hardly worth all the trouble. Except that American Bank Note's bid was the highest of the lot by more than 20%. Surely, *that* made it worth 12½% commission.

Still more trouble was to follow. Vassili Hassardjieff, who had been ABN's original bird-dog in Sofia, was furious. Where was *his* promised 2½% commission? Taking Belgian pride in hand, Stalins forced himself to write a terribly indiscreet letter to Hassardjieff in October, 1923.

He told of the enormous sacrifice that 12½% represented for American Bank Note which now didn't even think it would make a small profit on the deal.

> Among the numerous obligations which Mr. Avramow indicated to me as being indispensable there are: Yourself, with whom he was to share and moreover give you a house of at least 200,000 levas; M.S. to whom he had promised 2,000,000 levas and to whom he was afterward to give 3,000,000; M.O. an important person with whom he has to share half of what remained on this business. As Messrs. Avramow did not keep their engagements toward the third parties, and they maintained they had no obligations which were false, they are thieves. I have never seen such swindling. I repeat that . . . this letter is absolutely *confidential* and *personal* . . .

The only excuse was that M. Stalins was new to the banknote business. Such details are not just confidential, personal, or secret. They are simply *never* put on paper.

Somehow the letter got leaked to a Bulgarian paper with which Hassardjieff had good relations. The next day's headline was: "*THE AFFAIR OF THE AMERICAN BANKNOTES* : A document which shows how the Spoils were Shared" . . . and the story ended with: "This mysterious letter which is now in the hands of the Authorities bears witness even without any further documents why the American banknotes cost so very much to the State."

On December 1, 1922 Albert and his father were arrested by the Administration of Public Safety. They were freed after twelve days and Albert got a strong letter off to Stalins:

> You have fallen into the hands of a bad person and it is regrettable that you confided in him. . .We will examine the unjust calumnies of which we were accused and if we find that you were the author of all this confusion, not only will we hold you responsible for all the damages and disastrous consequences which we have undergone, but we will appeal to Mr. Claudet and the company in New York. . .

Eventually the notes got delivered but it was the first and last time American Bank Note was the supplier for Bulgaria. Stalins' indiscretion in this case, and others, caught up with him and in December, 1924 he was fired by American Bank Note.

After nursing his wounds for several years, Stalins finally sued the banknote company in 1929 for $500,000. The case was settled out of court in 1931 when ABN paid him a year's salary, $12,500.

On June 9, 1923 a Bulgarian coup d'etat ended the Stamboliski regime. Alexander Tsankov's forces, representing disaffected commercial, middle class, and military interests, arrested the dictator and most of his cabinet, including finance minister Tourlakoff, Avramow's friend.

As it happened, Albert and his wife and daughter had been in Bucharest, Rumania, since March, 1923 and weren't caught up in the turmoil. Later, Avramow told different versions of how he happened to miss the coup d'etat. In one story he said that his star of destiny told him to go to Bucharest; in another, he said he was in Bucharest to consult medical specialists: his wife was pregnant and for some reason the family was worried. They lived at the Victoria Hotel for a few months and his second daughter, Tildene, was born

without incident on April 6, 1923.

Later everyone told him how lucky he was to have been out of Bulgaria during the coup d'etat, particularly since his name was on the proscribed list—enemies of the new regime who were to be arrested on sight. The coup leader, Tsankov, saw to it that Stamboliski and most of his cabinet members were killed without trial. To make doubly sure, he also killed some 30 senators and 1,000 village mayors and councilmen.

About mid-April in Bucharest, Avramow met an old Sofia acquaintance—the head of the Bulgarian state printing office. During their talk it appeared that the printer was distantly related to Georgi Dimitrov, head of the outlawed Bulgarian Communist Party and a member of the executive committee of the Communist International in Moscow.

Dimitrov started working at 14 for a Sofia printer and before long he became the founder and organizing genius of the Bulgarian Printers Union. Later, he rose to become secretary of the Trade Union Federation of Bulgaria.

As the printer rambled on, Avramow got an idea. He asked the printer if he knew where in Moscow he could reach Dimitrov.

Avramow had been thinking of going to Russia, then in the midst of the New Economic Policy (NEP), the Soviet's first and last flirtation with internal capitalism. Private commercial establishments were permitted, foreign investments were invited, and the State Bank for the first time issued a new stable currency—the *chervonets*, equivalent to ten gold rubles. The issue was backed by gold, platinum and foreign currency.

A week later Avramow was at the Savoy Hotel in Moscow, where he met a lot of other foreign businessmen anxious to fill the Soviet need for foreign materials of almost every kind. Ostensibly, Avramow was there as the representative of a Rumanian boot factory.

Avramow made his contacts and in a few weeks arranged a sizable order which he made sure was paid for before it was sent. His commissions amounted to about $8,000 but what he really wanted in Moscow was to see Georgi Dimitrov and perhaps some key people in the State Bank, Sovnarkom.

He did talk to Dimitrov and the two got on fairly well. They talked about printing, Bulgaria, the murderous Tsankov regime. Dimitrov naturally didn't say anything about the armed uprising he was going

to lead in Bulgaria in September, 1923. (It failed; Dimitrov and 1,000 other Communists were driven out of Bulgaria into Yugoslavia.) Curiously, the two men with such utterly different backgrounds and political views, had certain common traits. Dimitrov used toilet water lavishly, a highly-scented hair oil, and had a distinctly bourgeois fastidiousness about his clothing. Avramow was a fussy dresser and slept with a hairnet to keep his black silky hair in place.

Apparently, Dimitrov was amused by this energetic would-be NEP man and sent him on to someone at the State Bank so that he could make his pitch. Hadn't Lenin said: "Sometimes a scoundrel is useful to our party precisely because he is a scoundrel."

Avramow did get to offer his idea. "It was simple," he later told a friend. "Russia was just entering the banknote world again. They were ready to admit that currency could be good for other things than wiping behinds. And like capitalist lands, they were now putting real backing behind their paper. What I suggested was that they carry this capitalist idea one step further: they should get their currency printed by the world's first banknote firm, located in the financial heart of the capitalist world, New York. What could be a greater indorsement of their acceptance of capitalist financial and banking principles than having that tiny imprimatur, American Bank Note Company, at the bottom of their new notes?"

When he made his pitch, Avramow had endorsed it as a "truly revolutionary idea." After his listeners heard him out and questioned him—they thought at first that American Bank Note was perhaps a bank that specialized in foreign loans—they decided Avramow's idea was counterrevolutionary.

Later, when Albert became more sophisticated about the banknote world he realized his idea had been hopeless. "How could they trust a foreign, capitalist, banknote maker? They always put themselves in the enemy's position; if the positions were reversed, if they were the banknote maker, why they could think of a dozen tricks to discommode or undermine a land preaching and practicing state socialism. Why should they ever put themselves in the hands of the enemy?"

He returned to Bucharest with a truckload of good paintings, icons, jewelry and raw furs. He also wore a fine astrakhan coat and brought a poodle.

"It was a present for me," Suzy de Gilly now recalls. "I loved the poodle and when it was stolen a few months later I was heart-

broken. I cried for a day." To make their grieving child feel better, the Avramow's decided that Albert would play Santa Claus that Christmas. (Avramow was not a practicing Jew.)

By 1924 Avramow felt it was time to make a move. His wheeling and dealing in Bucharest hadn't been particularly profitable and there was the possibility of a large deal in Marseilles. The family moved there. They bought a house outside the city. All Suzy and Tildene remember is that it was a fair-sized house and had a pond with lots of frogs in it.

The Marseilles deal—Avramow never talked about it—didn't work and he began what were to become a lot of frequent trips to Monte Carlo. He had always gambled casually but now it became an obsession. (Tildene remembers that he always started his day with a cigarette, a glass of champagne, and a game of solitaire to see how his luck would be that day.)

Albert's luck was bad. By early 1928 he had lost everything, including his wife's jewels and furs. That year they moved to San Remo and his wife reluctantly decided that she would take the two girls and move in with her parents in Sofia. They were able to make the trip only with the help of a loan from her parents.

Albert went on to Paris and began what he used to call his down and out time. After his money ran out, Avramow lived under Seine bridges and slept when he could, on park benches.

One Friday morning he found a 100-franc note (about $3.80 then) in the torn lining of his somewhat battered overcoat. He got a shave and a haircut,had a good breakfast, and resolved to follow up his good luck. He went to the Paris offices of American Bank Note, then on the fourth floor of No. 8, Rue Eduard VII. There he introduced himself to Mrs. Berthe M. Gregg, an American who had worked for ABN in Paris since 1920. She was 47 then and was listed by the firm as secretary and treasurer of the Paris office.

They knew each other only from his phone calls to her from Sofia during the negotiations on the Bulgarian banknote order. She knew Albert had been appointed ABN agent in Sofia only. Since he couldn't return to that country there was clearly nothing he could do for the American firm.

Albert was charming and most persuasive that morning. Mrs. Gregg was moved by his brief account of his misfortunes and by his plans to get to London and try to get a job with one of the banknote firms there. She lent him 800 francs (about $30 then) and wished him

luck. He bought a one-way boat-train ticket, had a meal aboard; got to Dover, bought a fresh shirt and tie and had enough left to make just one phone call to London.

Years later in London, an old friend of Avramow's, Ronald H.S. Morrison, a veteran banknote salesman, recalled the crucial moment:

"Avramow picked up a London phonebook and decided to phone in alphabetical order. First came Bradbury, Wilkinson but that was out because it was an American Bank Note subsidiary. Then De La Rue. He phoned them and got Bernard Westall, the managing director. He was the right one for Avramow."

(In the official 1968 De La Rue history, written by Lorna Houseman, Westall's daughter, he is described as "imaginative, ebullient, extrovert".)

Morrison continued: "Avramow sold himself so well that Westall sent him some money to get to London. They talked a lot and Westall decided to take him on. Actually, De La Rue then was in pretty bad shape, had been since they lost the enormous business doing India's banknotes, and I think they would have taken on Old Nick himself if he offered to sell their banknotes."

Morrison's version agrees substantially with the official De La Rue history: "In retrospect Bernard Westall admits to some astonishment that he ever engaged so controversial a character. Mr. Lamert (Sidney Lamert, chairman of De La Rue) more cautious and conservative, took an instant dislike to Avramow. Nonetheless, Avramow had already proved he could get banknote business-and that is what was undeniably needed."

Morrison resumes his recollections: "Years later when Avramow became a big success—hell, De La Rue's wizard salesman—I used to rib him that he might just as easily have phoned Waterlow instead of De La Rue and gone to work for Waterlow just before their great scandal broke." (See Chapter 20 . Waterlow had been incredibly careless in running off an issue of Portuguese banknotes for a group of European adventurers, including a Dutch merchant named Marang.) 'Morrison,' said Avramow in his heavy accent, 'I am in Waterlow I have this Marang work for me, not the other way.'"

Morrison again: "Avramow was only half-joking. I knew and he knew Sir William Waterlow wouldn't have taken him on at all—a short, sallow, Bulgarian Jew with a heavy accent? Never! Sir William was stiff, starchy—and a perfect gull for a con game. Also, there was

a fair amount of anti-Semitism around London business circles in those days. You really must give Bernie Westall a lot of credit for taking a chance on Albert Avramow in 1928."

What Westall had in mind was letting Avramow develop a possible bridgehead into the secured territory American Bank Note had in China. But first they thought it would be a good idea "To test him on a small mission nearer home. The country suggested was Italy, where no harm could be done since she already printed her own notes. In his broken English he enthusiastically bombarded the firm for Roman introductions. Actually, only one letter came to be written on his behalf. It was to Mussolini."

In it, Bernard Westall reminded Il Duce that in the 19th century De La Rue had been a key supplier of banknotes and postage stamps for the then unified Italy and had been decorated by King Victor Emmanuel. Now Westall wondered if Mussolini would care to re-equip the state printing works with up-to-date currency presses. Unexpectedly, Il Duce expressed interest and Avramow was sent to Rome. The sale went through.

Then the official history goes: "Although the Italian visit was not a real test of his capabilities Mr. Westall was impressed by his enthusiasm. . .He was more than ever convinced that China should be the Company's next target."

* * * *

While he waited for the move to be approved, Avramow had a chance to find out more about the background of his new employer. It had been founded in 1816 by a short-tempered, ingenious printer, Thomas De La Rue who built up a reputation in London for his embossed stationery and playing cards. De La Rue was the seventh of nine children of an impoverished Guernsey island farmer. He came to London in 1816 to cash in on a popular vogue for straw hats and papier mache bonnets. He guessed wrong, went broke and in May, 1837 actually spent time in a debtor's prison. (This naturally created an empathy for him in Albert Avramow who still remembered with horror the 12 days he and his father were jailed in Sofia over a mere commercial misunderstanding.)

After that dismal time De La Rue returned to printing, the trade in which he had originally been apprenticed. His rise was almost without detour. King William IV commissioned him to print a Bible in pure gold. His machine-made playing cards—up to then they had been individually hand-painted—won a Royal Warrant. He

pioneered new engraving methods and the first envelope-making machine. And his firm was the first to promote the selling of calling and greeting cards. (Albert Avramow was pleased to discover that Thomas De La Rue's junior partner and effective sales manager was a Jew, Jonah Nathan, descendant of a long line of quill makers.)

After Thomas died in 1866, his sons Warren and William Frederick continued the De La Rue tradition of successful innovations. To their credit was the perfection of one of the first of the fountain pens and the first automatic intaglio printing. The firm also won the first of many contracts to do postage stamps for Great Britain and elsewhere. Up until 1910 it printed all of Britain's stamps. In 1860 De La Rue did its first order of banknotes from the government of Mauritius.

Trouble came for the firm with the third generation of De La Rues, Stuart Andros De La Rue in particular. He managed to get the firm through World War I with a great loss, even as other manufacturing firms profited immensely. He took the firm into unprofitable sidelines—cricket bats, motorcars, boilers. Once he nearly got himself jailed for *counterfeiting*. He had his firm deliberately copy a banknote made by a rival, Waterlow, and then presented the counterfeit note to a bank which accepted it as genuine. Only then did he inform the government authorities that they shouldn't rely on Waterlow notes; and why.

By 1921 Stuart had nearly managed to destroy the proud old firm. It was on the verge of bankruptcy, put off only by issuing an 8% debenture issue to the public. Then Stuart pulled the incredible gaffe. He publicly sued his main rival, Waterlow, for £120,000 which he said was owed De La Rue. How come? Well, for years there had been a secret agreement between the rival banknote makers. De La Rue was to stick to the British and colonial markets, and Waterlow's the foreign market for stamps and banknotes. "If by mistake a De La Rue tender for foreign stamps (or currency) was accepted, compensation was duly made to Waterlow." Well, he said, in his suit, such compensation had not been made for some time. Hence, the demand for £120,000.

De La Rue won the case but nobody could afford such a victory. There was enormous public and governmental outcry at the price-fixing deal. Worse, it appeared that the payoffs to Waterlow hadn't gone to the firm but to the private bank account of the Waterlow chairman, Sir Edgar Waterlow, who never told *his* firm about it. As

a result, he had to leave the chairmanship of his firm—just as Stuart De La Rue had to. He was the last De La Rue in command of the firm.

When Stuart left, even worse emerged. He had quietly turned down an offer from the British Government to set up a banknote plant for India *in* India. Stuart refused—and irrevocably lost De La Rue's largest banknote customer. As Lorna Houseman was to write later: "Twentieth century De La Rues had the same inexorable capacity for sowing the seeds of their own destruction as central figures in Greek tragedy."

All of this Albert Avramow absorbed quickly. Now he understood why Bernard Westall had taken him on so quickly: De La Rue and Westall and the stockholders of the now-public firm were desperate. Unless someone could bring in banknote orders, very large orders, the proud old firm would go under. Albert accepted the challenge.

* * * *

Before Avramow left for China in early 1929, he and his wife were divorced. Albert had not wanted the divorce but, according to his daughters, Rachel had been convinced by her mother that the marriage was a terrible mistake and she was better off out of it. The civil divorce was obtained in Sofia in 1929. (Avramow and a lot of other political enemies had been amnestied by Bulgaria on Februrary 4, 1926.)

Avramow's original deal with De La Rue was that he was to be given personal and business expenses and enough to open an office and hire a small staff. And a small salary. Once he landed any China contracts he would be on a straight 10%-commission basis, plus the expenses for the office.

The 10%-commission basis was a generous one—on the surface. Most banknote salesmen were on salary plus expenses. But inevitably, the firm also had to pay a local agent—the one who knew who to cultivate and bribe, if necessary—with a 5-7% commission. On that basis Avramow's arrangement wasn't exorbitant. In effect, he would be the company salesman and local agent simultaneously.

Since all the other banknote firms, eager to get the China business away from American Bank Note, were based in Shanghai, Avramow also made that city his headquarters. To keep an eye on the main enemy, he took office space in the Hong Kong & Shanghai Bank Building at 12, The Bund, next to the Customs House. The De La Rue headquarters, Room 244, was a few doors away from the

American Bank Note enclave at Room 205.

There were other banknote firms in town. Waterlow & Sons had an agent, and so did the German firm, Giesecke & Devrient, which had sold several banknote issues to a few northern Chinese banks.

In many ways Shanghai was made to order for Avramow. It was, in the words of an old China hand, the most

> . . .realistic republic ever to have existed. . . the most unconventional municipality in the world with the proper atmosphere for the exuberant growth of a money-making, unsentimental, optimistic, wide-open city. . .

But another China observer called the city

> . . . a racket—the world's greatest racket—the extra supercolossal de luxe racket of the six continents. . . There are billions in it. . . it sells the millionaires protestion for their millions. . .there are more than 3,000,000 people living in Shanghai and in 1920 there were less than 500,000. . .It is the seventh largest city in the world, one of the greatest ports on earth and boasts that it is the most cosmopolitan town now in business. . .

Shanghai's unique status stemmed largely from the fact that in 1843 China had granted Great Britain extraterritoriality for what was to become the International Settlements of Shanghai. On this small, oblong plot, about the size of Manhattan, from 59th Street down to the Battery, thirteen nations, each represented by a consul, maintained thirteen distinct courts of law which alone were competent to try cases, civil or criminal, involving their nationals. In addition, the foreigners of the International Settlements had "the right to self defense"—to defend itself not only from foreign intervention but also from *the Chinese themselves*The Settlements financed an international police force (Chinese, Russian, Japanese, and bearded Sikhs) as well as a fairly well-armed Volunteer Corps of soldiers and reservists.

When Albert Avramow settled in Shanghai in 1931 for a long stay, the foreigners in the city consisted of some 9,300 British, 2,600 Americans, 1,700 French, 1,600 Germans, right on down to 120 Swedes and 88 Belgians. There were also, counting Albert, 10 Bulgarians residing in the International Settlements of Shanghai.

In 1932 he rented a house at 541 Avenue Haig in the French concession and proceeded to staff it with seven servants, including a Number One boy—a butler, really, at $50 a month, and a Number

Two boy at $25 a month; a cook at $35 a month, a gardener at $20 a month and a Chinese chauffeur at $60 a month. Instead of a British car, Albert bought a Buick, then the most popular auto for the Shanghai *taipan* .

The house represented his own and De La Rue's confirmation that he was probably a very good man for the job. He had just gotten his first Chinese order for De La Rue, 4 billion postage stamps. He had gotten it at a good price, one that insured a healthy profit, but there was a condition: the Chinese insisted the order had to be paid for in American dollars, not British pounds. They *had* dollars. Avramow cabled De La Rue urging acceptance in dollars, but Bernard Westall insisted on pound sterling. Finally he gave Avramow reluctant permission to accept dollars. But the tone of the grudging permission made it clear that if the deal didn't work out right, it was all on Avramow's head.

Again, international events came to advance Avramow's fortunes just in time. A month after the Chinese contract was signed but before the printing was started in London, the British pound was devalued (September 21, 1931) from $4.86 to $3.49. In effect, De La Rue would be getting 18% more on the order than it had expected to. There was a fair amount of to-and-froing between Albert's and the De La Rue solicitors in London on whether he was entitled to his percentage of this windfall. They worked out a compromise, but Westall was convinced that he had made a particularly happy choice in sending Avramow to China. He might not have the right appearance, background, or accent but he did have something more important: he was *lucky* .

With that finger exercise accomplished, Avramow now had to breach the exquisite hold American Bank Note had on the Chinese note business. It would not be easy. The Americans had been there since 1910 and had become China's largest supplier; indeed, except for a few minor exceptions it was that country's sole supplier.

It had been a rocky conquest. From 1912 to 1916 American Bank Note's agent in Shanghai, George S.Hall, had been taken in an elaborate flim-flam by an extraordinary character named Sir Edmund Backhouse, an outrageous forger, con man, and eccentric of the century. Backhouse, renowned Chinese scholar, was supposed to get Hall and his firm in touch with the Chinese government. He produced a remarkable contract, signed by the president and prime minister of China, under which the country agreed to buy 650 million

banknotes from American Bank Note over a 13-year period.

(Backhouse's extended chicaneries are splendidly detailed in historian Hugh Trevor-Roper's "Hermit of Peking.")

In the end, the contract proved to be one of Backhouse's many forgeries. But American Bank Note had already paid him more than $30,000 in advance commissions and expenses. Backhouse also got $10,000 out of George S. Hall in a minor con game: Hall was supposed to get some valuable pearls and other relics and treasure from the secret hoard of the former Chinese Empress. ("Hall was not too intelligent," a former colleague recalls.) It was an expensive and shattering experience for American Bank Note and it taught them not to rely on local "expert agents" for their Chinese contacts. American Bank Note got most of the Chinese business anyway—with Europe at war in 1916, the U.S. was one of the few suppliers that could guarantee delivery of the notes.

All this background, and more, Avramow acquired in those early months. Since he fancied himself as a master of languages, he also began taking lessons in Mandarin. (His daughter, Tildene, summarizes her father's linguistic facility: "He spoke many languages, none of them well.")

Even more complicated than the language—he had already learned that in Mandarin Chinese his firm, Thomas De La Rue & Company was "Te Neh Lu Yin Ch'iao Kung Szu"—was China's monetary system. It was, said a foreign expert in 1929, "the worst currency to be found in any country in the world . . . the currency is chaotic; it forms the most complicated mixture of heterogeneous mediums of exchange, from a weight to a coin, that has ever existed in any one country."

But by 1932 the standard silver dollar coin and the banknotes—backed by silver reserves—issued by leading banks were becoming the main means of exchange in the larger cities.

In 1933 Hsiang Hsi Kung, educated at Oberlin and Yale, became the Chinese Minister of Finance as well as governor of the new Central Bank of China. He set about a comprehensive reform of his country's antiquated monetary system. H.H. Kung, according to Teddy White, was "a round man with a soft face and pendulous, flabby chins . . . An amiable man, he disliked quarrels or crises and he could be coaxed into anything with a smile or a sob story. His one great desire was to be loved, and those who knew him found him so lovable they called him Daddy."

Clearly, he was the man any banknote salesman had to cultivate, and Avramow made it his business to do just that. Fortunately, Kung loved to talk and gossip but he hated to come to definite terms, to sign, at long last, a hard-and-fast contract.

Until he came to terms with H. H. Kung, Avramow concentrated on the banks that were still allowed to issue paper currency, backed by their silver reserves. Then, early in 1934 Albert had his first major crisis: a visit by the boss, De La Rue's managing director, Sidney Lamert, son of a Scottish parson. Lamert, a former war correspondent in the Boer War, had made a small fortune by investing in a stock-tipster sheet called Investors Chronicle. During the rubber boom, the paper's circulation soared and Lamert became rich. He was invited to become managing director by the De La Rue directors at a time when the firm was on the verge of bankruptcy.

(In the early Twenties, all of De La Rue, paper, good will, engravings, the works—could have been acquired for less than $400,000.)

Lamert who had bitterly opposed taking on Avramow, was now visiting the firm's Chinese offices. Understandably, it was not a happy time for Albert, even though he entertained the boss splendidly and saw to it that he met all the key people of Shanghai. But just to make sure that he knew which way the wind was blowing, Albert ordered one of his clerks to steam open the letters Lamert was sending back to London. The clerk photographed the contents and gave them to his boss, Albert Avramow. What Avramow didn't know was that when Lamert was ready to return to London, the clerk sold *him* all the negatives of his letters and explained that he had been forced to open the letters at the express command of Avramow.

On his return to London, Lamert naturally demanded the instant dismissal of their man in Shanghai. As the De La Rue official history has the outcome:

> The revelation of the seamier side of Avramow's character came as no shock to Mr. Westall. Mr. Lamert on the other hand could not pardon such ungentlemanly behavior. Westall countered that De La Rue were not in China to set standards of behavior but to get orders. They settled on a compromise.

Avramow was not fired but instead ordered back to London. By now Albert knew the jam he was in and made a particular effort to make his London trip a bit sweeter. He brought with him an order for two million notes from the Chinese Bank of Communications.

He didn't return to London alone. For some time he had been liv-

ing with an attractive, blonde, White Russian woman, Vera. She was slightly taller than Albert. Although they never married, they were listed in the Shanghai directory as Mr. and Mrs. A. J. Avramow, 541 Avenue Haig (Tel: 71405).

In London Avramow was told that he wasn't to return to Shanghai for a while and he was to stay out of Sidney Lamert's path. Meanwhile, the firm sent another man to Shanghai to cultivate the enormous banknote potential China had. For Avramow it was an enforced vacation and since his commissions had begun mounting handsomely he was no longer the ragged, homeless vagabond of his Paris days.

He was anxious to see his daughters and arranged, by phone, with his ex-mother-in-law to bring the girls to Bucharest for a visit. The girls, who had been living in Sofia with their mother, came to Bucharest. He was immensely affectionate with them and kept telling them how pretty they had become and how much he missed them. With him, his daughters vaguely recall, was Vera, who took them shopping one day. Late one day, when she returned with the girls to the hotel suite she and Avramow were sharing, she excused herself and the girls went exploring around the suite. Suzy came across a book with dozens of pieces of foreign paper money pasted into it and she was convinced that her father was really a counterfeiter. Albert tried, not too successfully, to explain that it was only his sample book.

Meanwhile back in London, Westall was becoming dissatisfied with the lack of orders from Avramow's successor in Shanghai. He had a battle with Sidney Lamert who was still bitterly opposed to using the ungentlemanly Bulgarian. Westall won out; Lamert resigned and Albert returned to Shanghai. Within a few months he came up with two orders for banknotes from the Farmer's Bank and the Bank of China in Tientsin.

Now it became clear that the newly-organized Central Bank was going to order 90 million engraved banknotes, an incredibly large order for the time. Avramow persuaded Westall to come out to Shanghai to help him work out the mechanics of the order which would have called for heroic measures by the De La Rue plant. When Westall got to Shanghai and had an interview with H. H. Kung he encountered, as the official De La Rue history puts it, "a manner so frigidly formal as to make Westall suspect some previous maladroitness on Albert's part." Later he talked to Kung alone and

heard the tale of the jade necklace which sounded like a minor replay of Marie Antoinette's notorious diamond necklace affair.

On Madame Kung's birthday, Albert had given her a valuable jade necklace. The De La Rue history continues:

> Drawing himself up as high as his stature permitted Dr. Kung handed this necklace to Bernard Westall with a pair of sugar tongs. He expatiated on the extent of Avramow's insult to his wife and to himself, regretting that however far Mr. Westall might have travelled to see him, the idea of doing business with Albert Avramow's company was totally distasteful. Unprepared for this development Bernard Westall thought fast. Avramow being Jewish, he pointed out, was himself accustomed to a semi-oriental way of doing business. Had it not been the custom for the last 5000 years for the great leaders of China to accept presents as their right? How was Avramow to know that after so many centuries China at last possessed a Finance Minister of impeccable integrity? Dr. Kung conceded that there could conceivably have been a misunderstanding. He would allow De La Rue to have part of the order after all. In fact he would give American Bank Note, Waterlow and De La Rue a third each.

The next Kung crisis was of Westall's own making. On another trip to the Orient, Westall allowed himself to be interviewed in Singapore by a reporter from The Straits Times. Westall talked generally about the banknote business and then added that in fact the ship on which he had been travelling, the *Carthage* was carrying a few million De La Rue notes for the Chinese Bank of Communications. The next day's headline in the paper was, "MILLIONS OF BANKNOTES FOR CHINA." When he got to Shanghai, Kung was livid. "You have told the whole world that we are inflating!", he shouted. "It's up to you to put the damage right!"

The best Westall could manage was a story in the South China Daily News of Hong Kong about the banknote order. Its real purpose, he said, was to replace old, soiled notes; that it was the intention of Dr. Kung to protect the Chinese people from the danger of unhygienic notes—ones that could easily be counterfeited. The lies that one told for one's customers!

Chiang Kai-shek had been invited to the English coronation of King George VI to be held on May 13, 1937. In his stead he sent H. H. Kung. To keep the Finance Minister in a good mood, Avramow

suggested to Westall that a public relations campaign in British papers would be most helpful in explaining what a great man and public servant H. H. Kung was. Now that he was a good and trusted friend of Kung's, Avramow was obliged to hear repeatedly that Kung was a 75th lineal descendant of Kung Fu Tse (Confucius). And at times various analects of the master. Once, Kung told Albert that the analect that specifically applied to the Bulgarian was: "Better a diamond with a flaw than a pebble without."

The publicity campaign worked and Kung's interviews and pictures filled a lot of British papers early that May. Albert and his Vera travelled with the Kung party to London and also stayed at the recently opened Dorchester Hotel.

The Chinese orders for De La Rue continued, as did Albert's great commissions. When World War II started in 1939, Albert knew that he was on borrowed time in Shanghai. The Japanese had been occupying more and more of China and it wouldn't be long before they also took over the hitherto inviolate International Settlements of Shanghai. Meanwhile, Kr. Kung began worrying about the problem of getting foreign-made banknotes to China. He first approached American Bank Note about building a plant in the French concession of Shanghai just to supply China. American Bank Note asked for various guarantees—they, too, were pretty sure that the Japanese would be coming in before long—and Kung wouldn't agree. He turned to Avramow and to Bernard Westall. They got to Chungking after a risky air journey: Japanese fighter planes were shooting down all civilian aircraft over China. There wasn't a hotel left in Chungking, so Avramow—ever ingenious—registered the two of them as patients in a German doctor's clinic. The doctor was a fanatical Nazi. Albert persuaded him to take them in by pointing out that if Germany ever went to war with China the doctor would be a mighty lonely German in Chungking; it would be wise to have some influential friends. (They didn't help: a few months later the German was killed and his clinic destroyed during a Japanese raid.)

De La Rue agreed to build the plant in Shanghai. A further provision called for the plant to be transferred to Rangoon if the Japanese occupied Shanghai. In return, the Chinese gave De La Rue a firm order worth $17,000,000—or a penny each—for the printing of two billion notes.

The plant was erected under great difficulty. The Japanese were told that it was to make playing cards—an old De La Rue specialty.

By March, 1940 after the plant had been operating a few months, it became clear that the transfer to Rangoon was needed. Once Germany overran France, the French settlement in Shanghai became fair game for Japan.

The Rangoon plant operated despite many obstacles—getting paper was only one of many—but it was a remarkable achievement. At its peak it had 800 employes and produced 12 million banknotes a week. After the destruction by bombing of the main London plant of De La Rue, Rangoon was the firm's only banknote operation *anywhere* . By the end of 1941 it was certain that Japan would soon overrun Burma and capture the plant. They did, in early 1942. By then most of the machines had been moved to Bombay and deliveries were resumed to the Chinese by hazardous flights over the Himalayas.

Even before this, the Chinese realized that they would have to depend more and more on U. S. suppliers. Early in 1940 the Chinese signed a banknote contract with another U. S. firm, Security Columbian Banknote of New York. The contract had been secured for the firm by another old China hand, William P. Hunt, whom we will encounter in Chapter 8. Hunt had become friendly with Avramow in Shanghai. Long after the war, Hunt recalled Avramow for me:

"He was short, cocky as hell and a born salesman. I used to think I was pretty good selling but Avramow could have sold you ice in winter—and persuaded you that it was the wisest, cleverest move you could make. He knew the game was up here in 1940. He said, 'I had a fine run here, eleven years, and it's time to move on.' In fact, he thought it was time for all foreigners to move out of Shanghai as he was going to do."

What convinced Avramow that his time was up was word he had gotten from London about the contract De La Rue had won for an issue of Bulgarian banknotes in 1938. A day later, the governor of the Central Bank was forced to cancel the order. It would go instead, to the German firm, Giesecke & Devrient. The Nazis were taking over effective control of the country.

Albert realized that it was only a matter of time before Bulgaria was forced into the war—on the Axis side. (This happened in early 1941.) In that case, he would be faced with a difficult problem. As a Bulgarian national, as a citizen of an enemy country, his relations with De La Rue would have to cease. More to the point: De La Rue wouldn't be able to go on paying his hefty commissions. He had

managed to obtain a form of Chinese citizenship, but he suspected that the change might not stand up under the more intense scrutiny of wartime.

Clearly, it was time to settle accounts with De La Rue. He and Westall engaged in some hard bargaining. True, his contract was ironclad and probably gave him a claim on all De La Rue banknote business with China to the end of time. But it was also true that he was soon likely to be an enemy alien, which meant that large amounts of money due might simply accumulate in the bank accounts of the enemy alien property custodian. Eventually, they made a deal that gave Avramow about $4,500,000.

In the summer of 1940 he left Shanghai on a tourist visa for the U. S. There are different accounts of what happened to his mistress Vera. Bill Hunt recalled that she was supposed to go with Albert to America but somehow her clearance never came through and he was forced to go alone. Avramow's sister-in-law heard that Vera was supposed to leave on the same ship with Albert but that they had a big fight on board before the ship left and she took her luggage off and returned to shore.

In September, 1940 he arrived in Mexico City and proceeded to make arrangements to get his daughters out of Bulgaria. He made similar arrangements for his two younger brothers, Nissim and Moise and his sisters, Kalina and Sara.

For a couple of months he lived at the new and only luxury hotel in town, the Reforma, while he surveyed the scene carefully. The revolutionary mood the country had been put into while Lazaro Cardenas was president seemed over. He had nationalized the oilfields and railroads and distributed land to the peasants. Great Britain was mad at him and didn't resume diplomatic relations until October, 1941. But the new president, Avila Camacho, seemed to feel the revolution had gone far enough: he believed felt that Mexico was a young and vital country on the eve of an industrial revolution and needed all the foreign help and capital it could get. Anyone coming with $4½ million was most welcome.

Avramow looked around for a proper home and found it in the suburb of Angel, south of Mexico City. The suburban rule then was: the further south, the richer the home. It was a great mansion of some 52 rooms, hardly rivaled in New York City or London, " Life Magazine was to say admiringly—and had a public address system, a master bathroom in solid onyx and two dining rooms, one seating 50

people.

He had bought the house for 2½ million pesos, then about $520,000. It was a staggering sum for the time and place. He spent another $100,000 appointing it properly. The place needed lots of servants and Albert had twelve. But since they cost only between $8 and $10 a month, plus keep, it wasn't burdensome.

Before long he became the host of Mexican society. His dinner parties were select and renowned. In a long piece on Mexican social life, Life Magazine said that "the restless people of the world have found their way to Mexico, where they are busy looking for the mythical bluebird of happiness."

The nine-page spread also had a few lines about the splendid mansion of Albert Avramow, "a Bulgarian who fittingly enough made his fortune printing banknotes . . ."

In 1941 Suzy Avramow, then 21, married a French pharmaceutical chemist she met in Mexico. Albert invited them to live in his home and for a year Suzy was his hostess. It was an exciting time for the young bride:

"My father did an enormous amount of entertaining. One night it might be the president of Mexico; next week, Madame Chiang Kai-shek—who once complimented me on my father's Chinese. My father never helped my husband financially but the fact that he was Avramow's son-in-law gave him big credit standing immediately."

In fact, Avramow had a double credit standing in Mexico: not only was he a rich man but he was also founder of the country's newest bank, the Anglo-Mexican Bank. Albert staffed it with some very bright Spanish bankers who had come to Mexico as political refugees from Franco. He also found places in the bank for his two brothers, Nissim and Moise. The bank got off to a great start and Albert's extensive entertaining helped bring in clients and arrange business deals.

Meanwhile Albert hadn't forgotten his old firm, De La Rue. He quickly became very well-connected on the upper levels of the Mexican government and began soundings on the possibilities of taking the Mexican account away from American Bank Note. He cultivated the heads of the Bank of Mexico and loved to tell of his Chinese banknote adventures. But after a year of intense selling he realized that he had run into an insurmountable problem: how could the Bank of Mexico be certain of banknote shipments from embattled, surrounded Great Britain? More to the point, now that De La Rue's

had suffered major damage in London bombing raids, how could it possibly be in a position to undertake a huge new account like Mexico? Albert toyed with the Rangoon solution—a De La Rue plant in Mexico—but he knew that the old firm was in no position to undertake *that* during the war.

With that possibility out, Albert tried another: Cuba. In 1942 he turned up in Havana with a De La Rue team that was trying to get the new Cuban account. It was new because Cuba had been having its notes done, under very special dispensation, by the U. S. Bureau of Engraving in Washington in 1934 and from time to time additional notes were supplied. Now Cuba wanted to have an independent supply and had asked the leading banknote companies for bids. De La Rue sent several men, as did Waterlow, and even little Jeffries Banknote of Los Angeles sent a man. Henry M. Keith, a third-generation Costa Rican despite his name, was the sole American Bank Note representative.

(Not long ago in San Jose, Costa Rica, where he lives in retirement, Keith recalled the Havana deal which took place when he was 41. "Everybody in the banknote world had heard about Avramow and how much he got out of De La Rue. Most of us were on salary and here was this clever fellow who had made a killing by being on commission. So naturally we envied him. From all the stories and legends we'd been hearing, I had been led to believe that he knew every sales trick and a few more besides. But in spite of Avramow and a lot of bribes, De La Rue lost out. We won the account even though we had a higher bid than De La Rue.")

Before going to Cuba, Avramow had been in New York to attend the wedding of the second daughter of Te-Mou Si, general manager of the Central Bank of China.

In February, 1942, Avramow was at the old Ambassador Hotel on Park Avenue. The hotel's publicity woman decided this rich, odd guest would make an interesting story. She called a friend on the old *World-Telegram* and Albert's only encounter with the press took place.

The headline was: " *HE FOUND 400 MILLION PEOPLE BURNING TO BUILD CHINA* : Spaniard from Bulgaria Prints Banknotes for Chiang Kai-shek."

> Travelers have brought many stories of the new China, but none has been more moved by the sight of her awakening than Albert J. Avramow. Mr. Avramow is one of those suave little

men who live feverish lives at odd occupations. "I built a factory in Shanghai, brought in skilled workers from England, trained Chinese and printed this money right under the noses of the Japanese," Mr. Avramow said today. While speaking he marched cockily back and forth in his Hotel Ambassador suite. He selected English words cautiously, like assorted pills from a tray. In printing banknotes for many nations, Mr. Avramow has made intimate friends with rulers and finance ministers throughout the world. He has heard all the nuances of diplomacy and seen all the shades of intrigue . . .

When he returned to Mexico Albert instituted some major changes in his life. For one thing, he invited Suzy and her husband to leave his mansion. He wouldn't say why, but Suzy is convinced that he was becoming embarrassed at having a married daughter around: it aged him. He was also having trouble with his two brothers at the bank: he felt they were too negative. First they had been severely critical about his buying the mansion and spending so much to fix it up; then about his extensive entertaining. And finally, they felt that Albert's Spanish Republican employes were making loans on much too generous terms to friends. Albert dismissed their complaints and them. The two brothers went into the road-contracting business and did well. Moise died, and Nissim, now 82, lives on the Reforma in Mexico City:

"It was just as well that we left the bank. We had been quarreling with him all the time. The enormous house frightened me: it exposed Albert too much. I used to tell him the house would destroy him—if the Spaniards didn't do it first. My brother was a marvelous salesman, but as a businessman . . ." He wrinkled his nose.

"After he kicked me out of the bank we didn't talk. If he trusted those Spanish ass-lickers more than his brothers . . . And I was right. A year later, in 1943, he had to close the bank. Too many bad loans. He lost about $2 million of his personal fortune."

In 1945 Albert, then 52, married a very young, pretty Mexican, Lupe Guitierrez who was then 22, the same age as Avramow's younger daughter, Tildene.

Avramow still entertained, but less lavishly. His ties with his family, daughters, brothers, were almost completely broken. Suzy recalls that her father had seen her two children, his first grandchildren, only once. Tildene had three children who never met their grandfather. The girls were much closer to their mother who had remarried and

moved to Mexico after the war was over.

In 1950 Albert decided that the mansion was becoming too expensive to maintain and he made a deal with an Arab, Naguib Simone, who owned what was then Mexico's only razor blade factory. The mansion for the factory. Albert told everyone that he now had a monopoly on an item that every man needed. But what he didn't realize was that razor blade factories need almost as much internal security as a banknote plant. His employes stole freely and sold their blades to dealers at prices Albert couldn't match. He had a chance in 1951 to sell the plant to Gillette for $600,000 but he held out for $1,000,000 and the deal never went through. In the end, about 1953, Albert had to shut down his plant. He was no longer a rich man; merely a comfortable one. He was left with about $400,000. He and his wife and their three children lived in a spacious apartment on the Reforma not far from his brother Nissim, who he no longer talked to.

But years of two and three packs a day took their inevitable toll. First it was emphysema, and then the doctors suspected something worse. They suggested he go to the Lahey Clinic in Boston. There on July 13, 1953 he was opened and they found a cancer-ridden lung and an old tuberculosis scar. Three weeks later, in the afternoon of July 7, 1953, he died of an aneurysm. His death certificate said he was 58 and a retired manufacturer of razor blades. A minor vanity; he was really 60.

To the end, intrigue followed him. When Albert's body was returned to Mexico for burial, his brothers wanted to bury him in a Jewish cemetery. Nissim Avramow recalls the time: "Before he went to the Lahey Clinic, he told me that if he died there he wanted to be buried in a Jewish cemetery. But when the body returned here we found out that under Mexican law the widow has the right to the corpse so she seized it with her lawyer and had Albert buried in a Catholic cemetery somewhere. So we never talked to her again. But not long ago a friend of mine in Israel wrote me that he had run across one of Albert's sons who was working on a kibbutz. I think Albert would have liked that."

* * * *

In New York on this pleasant spring Sunday, Avramow's two daughters by his first wife are trying to sum up their strange father. Both have dual nationalities: Mexican and French. Each was married to a Frenchman at one time.

Tildene recalls once that when her older daughter who is now 29,

was a youngster—this was Tildene's second marriage—she took her during a Washington trip, to the tour at the Bureau of Engraving. "I thought after the tour it might be a good time to explain more about her grandfather whom she had never met. I would explain about the peculiar banknote business he was in, the kind of man he was, but too many mixed emotions got in the way and I simply didn't. My two daughters know very little about him."

Suzy who had been closer to her father and was more sympathetic, thought that "really what you could say of him was that he was an adventurer, a buccaneer. In his own way he adapted successfully to a very strange world. Occasionally, during my travels I run into someone who had known him when he was a great banknote salesman and they'll say he was one of the legends of the business. Of course, for his children what stays in memory is that he wasn't much of a husband or father. Still, he led a full life and in his own way he left a mark here and there."

The Old Lady's Twenty Pound Look

O, there ne'er was a name so blazon'd by fame
Thro' the air, or thro ocean, or thro land,
As the one that is wrote upon every Bank Note,
And you all must know Abraham Newland!
O, good Abraham Newland!
Note-able Abraham Newland!. . .
(Newland was Chief Cashier of the Bank of England in 1797 when it first began to issue £1 notes)

The Central Line takes you to Debden in the northeast fringe of London. You walk over a narrow pedestrian bridge and make a sharp left turn to follow a paved path lined with towering barbed wire. (It almost takes you back to military England in 1944.) At the end of the path a guard carrying a silver and blue badge on his cap checked me in by phone. The badge has the seated Old Lady and on a flowing blue ribbon surrounding her ample figure are the words: Bank of England Printing Works.

The reception area has pictures of the previous printing works: Threadneedle Street—the premises of the bank itself—from 1690-1920; St. Lukes—a former insane asylum—from 1920-56; and Debden, the huge present works.

There are no casual visitors, let alone sightseers. Journalists are turned down routinely and even Parliamentary delegations need very special permission from the Governors of the Bank. I've been granted a rare boon.

The Printing Works and the Bank of England are no longer the mighty engines of capitalism they once were—not with 18% annual inflation. This is partly a trip of homage. There are just too many mixed superlatives for anyone ever to overlook the Bank of England. Consider:

—England hanged more men and women for counterfeiting than all the rest of the world. In 1817 alone 313 counterfeiters were suspended from the gibbet. There were 31,000 forged notes detected that year.

—in 1819 the Bank was involved in the most thorough inquiry then or since into the best means of beating the many forgers. In all more than 108 different proposals were tested. A subsequent report by Sir William Congreve helped establish the solid, differential value of intaglio printing for banknotes. It also encouraged the efforts of the great intaglio pioneers: Jacob Perkins of Philadelphia who revived the art of steel engraving; and Asa Spencer for his development of an early machine for creating the graceful geometric lines on the engraved plate.

—The Sung dynasty of China had paper money in 1000 A.D. and the Bank of Sweden issued the stuff in 1661 but it was William Patterson, the founder of the Bank of England in 1695 who helped make paper money the solid, acceptable stuff—cash—it has become over the centuries.

—Finally, the Bank was the victim of the most massive counterfeiting scheme ever: the Nazi Operation Bernhard. And no one was hanged.

* * * *

My host today is Michael James Stephen Cubbage, a cordial, fairly heavyset 58-year old who is General Manager of the Printing Works. He entered the Bank in 1941 after graduating from a local grammar school. (A high school in U.S. terms). During World War II he served in the Royal Artillery, rising to captain. The war also gave him a vivid personal experience in the implementation of Gresham's law.

"It was in the Netherlands East Indies in 1945. The Japs had just surrendered but curiously the natives continued to use Japanese occupation money. This was ridiculous and a little insulting. We had to dissuade them. We had seized a lot of the Japanese notes and I had an idea. We just increased the pay of every officer and enlisted man by 1000%. Just a quiet little pay increase without War Office authorization or anything. Well, pretty soon there was so much Jap currency around the natives stopped using it and went back to the Netherlands East Indies guilders."

More recently he got a curious insight into the public's total acceptance of the many protections built into the pound notes. It was at the Wembley Stadium Cup Final. The soccer world series of England.

"There had been newspaper reports of a lot of counterfeiting of the tickets so everyone at the gate was examining the tickets very carefully, checking watermarks and the metal strip and so on, before paying the speculators at the gate. Then they'd pay off in £5 notes. What was fascinating was the speculators never even looked at the notes, just stuffed them in their pockets. Why? They *knew* the notes were good. We have remarkably little counterfeiting here. Nothing compared to your situation."

We are having lunch in the spacious executive dining room and I meet Geoffrey L. Wheatley who will succeed Cubbage. (The English are far more orderly in executive succession than is our own Bureau of Engraving in Washington. Late in July, 1981, right on schedule, Wheatley did take over from Cubbage.)

"In the old days," Cubbage went on, "our women inspectors would get half-day leave when they'd spot a counterfeit. We stopped that about five years ago. A mistake, perhaps. Even though we have really few counterfeits, I'd like to go back to that system. We should do *something* about the psychological problem. The women inspectors now have too low a level of expectation. We once even considered introducing our own counterfeits just to keep the women on their toes."

I mentioned that our Federal Reserve banks did just that routinely. Cubbage nodded. "It makes very good sense but then we started thinking on the reactions of our eight trade unions—we had a five-week strike here in May-June, 1978—and there were murmurs from the Bank's solicitors that we might be entering the delicate area of 'entrapment'. In the end we had to abandon a good idea."

The works turn out 2 billion notes a year—1, 5, 10 and 20 pound denominations. In March, 1981 a very popular £50 note was introduced. (An older fifty-pounder was withdrawn in 1943 when it was worth ten times the present note.) Scottish banks which have long had the right to make their own notes have been issuing £100 notes for several years.

Bank of England notepaper comes from Portals but the Bank now makes its own inks—some 200 tons a year.

The British have some 34 notes per head of population, the highest such figure in Europe. Cubbage explains: "At the end of the War we had only the big £5 notes as our highest denomination—the black and white ones which the Nazis forged—and people were chary of accepting them so we were left with just the £1 and the ten

shilling note. We simply had to have more notes than any other country that had higher denominations. Also our banks had gotten in the expensive habit of turning in notes once they were even slightly soiled. Carryover, perhaps. Back in the early Twenties our notes only lasted two months out there. Naturally the combination of low denominations and short life meant we were going to have more notes than elsewhere. It was only in 1970 that we introduced the £20 note." Even today the average life of a £1 note is a finicky ten months, compared to the 15 months for the U.S. $1 bill. Admittedly the paper the U.S. uses is much stronger and intended for long wear.

It costs the Bank about 2¢ to make a note and 22% of the cost is paper. By making the present notes even smaller than the old ten shilling notes the Bank has been saving some 16% in paper.

There have been other, more recent savings which got Cubbage and his staff of 2000 some black looks from some members of the Brotherhood. In 1973 the works began printing the backs of its £5 Wellington notes by cheaper offset instead of the traditional intaglio. And in 1978 came an even graver fall from banknote grace with the introduction of a £1 note, printed *only* in offset lithography. There was no subsequent increase in forgery and Cubbage thinks it was due to the increase of color used: yellow, green and blue and protective tints which extend to all four edges on the front of the note.

"What we did is increase the amount of color in very close register. The forger, even a skilled one, will find it difficult to separate the color elements." Still, he thought that in time the Works would go back to intaglio.

Like most European notes, the British also used water-marked paper—the inner design can be seen when the paper is held up to the light—as a security measure. Since World War II—the Nazis managed to recreate the watermark of the large black and white notes quite successfully—the British have employed a vertical metallic security thread across the face of the note. This was invented by a predecessor of Cubbage's, the late Stanley B. Chamberlain. The thread is an electrical conductor made of aluminum foil and plated with a layer of laminated cellophane. The thread's electrical conductivity is a key test for authenticity. According to one story Chamberlain got the idea originally when he became a patriotic counterfeiter. In World War I when he was deputy director of the Works he and his boss, Herbert de Fraine, had directed a most secret operation involving the counterfeiting of German Imperial

banknotes. Chamberlain was so pleased with his success—and alarmed at the ease with which the job was done—that he determined to find a security device that couldn't be duplicated—unless you knew how it was tested. Alas, British and other forgers have managed to put in their own metallic threads.

The Bank has been a fine customer of Giori's machinery but it also displays a certain level of independence because it created some of its own note printing machines. These six, 12-foot high mechanical behemoths operate from a continuous reel of paper, about two miles long, just like a newspaper press. (Most note printing machines work on large individual sheets.) The Bank's web presses stemmed out of the work of Peter Price, a former aeronautical engineer. Price retired in 1969 as deputy General Manager and became a banknote consultant to governments, particularly those also using web printing machines such as Sweden, Norway, Denmark and Belgium.

* * * *

We are in the main printing hall, some 110,000 square feet without pillars. This is the male arena. But in another part of the huge vaulted area, the inspection space, I'm surprised to find among the hundreds of women several male faces. Cubbage nods as he follows my gaze. "Once we had to remove sex restrictions on employment there was no rule that said *only* women could inspect notes. So now we have a few men on the job."

Cubbage is exchanging some chit-chat with a young male employe when suddenly very lively rock jazz inundates us from the raucous public address system. Cubbage's eyes roll upwards: "Drives us mad but the staff likes it. Wakes them up near the end of the day."

Like most banknote plants, the TV surveillance cameras, the frequent guards and checkpoints are all around. Remarkably few notes get out of control at the plant. The few real thefts have taken place when the notes are in transit to the Bank headquarters in London or to any of the Bank's seven branches in the provinces.

I had penned a reminder to myself to ask Cubbage about "gpk" and only when I saw one of the staff carrying some $400,000 of the £20 notes—ten thick polyvinyl packages—did the note make sense. I was supposed to find out if there really had been million pound notes—ever.

Yes, they had been issued long ago but were used only to represent internal money movements. Never got out to the public. The only recent versions were the 25 copies run off for use in the Gregory

Peck film. All of them had to be returned to the Bank at the end of the film making. And yes, there had once been a fine, solid Bank of England banknote made out for 1 English penny. Also to clear accounts.

During my visit I didn't get a chance to see the most popular artist in Great Britain, the man whose work is treasured in every home, office and shop; the craftsman whose miniatures are struggled for, loved for and occasionally killed for. The trouble is almost no one ever heard of him.

His name is Harry Eccleston and he's the Bank's chief designer. His is the art that enhances billions of banknotes: The Queen wearing Robes of the Order of the Garter (on the £1 and £5); The Queen wearing State Robes (£10 and £20). And on the reverse Shakespeare (£20); Florence Nightingale (£10) and Wellington (£5). And Sir Christopher Wren and St. Paul's Cathedral on the new £50.

(It may be a popular art form but its makers are almost always anonymous. The best publicly-known artist to design banknotes was the late Alfons Mucha, the progenitor of Art Nouveau, the Time of the Tendrils. He did the first Czech bank note designs when that country won its independence after World War I. The French used to take their bank note design more seriously than most of the world. In the late Twenties, Charles Walhain who designed the new 1000 Franc banknote for the Bank of France was once jeered by his fellow artists on the sidewalks of Montparnasse.)

Eccleston headed a team of artists and craftsmen who worked on the British notes years before they were introduced. After the designs were approved they were turned over to Alan Dow, a master engraver employed by Bradbury, Wilkinson, to make the incised steel engravings from which the final plates will be made.

Steel engravers are a rare genre and hard to come by, one reason the Bank prefers to give that job to a private banknote firm. Part of the trouble is that there's no way to shortcut the engraver's 12-15 year apprenticeship. Although engravers work with both eyes open, one will develop much more than the other which will become lazy. And because of his work an engraver can read a paper held up to a mirror more quickly than you can normally. All his professional life he spends his time working back to front; everything is done backwards, text and all. How deep he cuts, how wide, determines the difference in light and shade—the wave of the hair, the expression of the eyes.

When Dow finishes his engraving it goes back to Debden where several intaglio protective devices are added—the eccentric geometric patterns and bordering as well as lettering. When the master plate emerges it is hardened chemically with cyanide and then goes to a transfer press which will produce up to 20 curved copies to make up the final printing plates.

Then the most popular art form of our time will be released by the millions to collectors who, alas, have long stopped looking at anything except the number in the corner.

The Man Who Found Himself in China

Harvey (Clive Brooks): I wish you could tell me there'd been no other men.

Lily (Marlene Dietrich): I could, Doc, but five years in China is a long time. —Scenario, "Shanghai Express."

The Bill Hunt photo his three wives and older daughter like most was taken when he was in the Stanley Civilian Internment Camp the Japanese had set up in Hong Kong after Pearl Harbor. Hunt is grim-faced, tight-lipped, determined, hands akimbo on hips. The look is clearly: Okay, you bastards, we'll remember this. He's wearing trousers that seem to be made of shapeless tarpaulins, a heavily-creased denim shirt with—the proper Hunt touch—a neat, fairly clean polka-dot ascot. He has lost weight and looks more like he did when he first came to China in 1925 as a poor, $1,200-a-year vice consul.

He had been selected leader of the several hundred Americans who were interned in Stanley after Pearl Harbor. Joseph Alsop, the journalist, and one of the internees, wrote why:

> For leaders the British and American communities (in Stanley) selected two promoters and salesmen of the sort that used to swarm on the China Coast, Lawrence Neilson and William P. Hunt. Both were rich men. But both were lone operators, users of unorthodox methods, who were not loved by the stuffier, more conservative established businessmen, and both had a talent for melodrama. They struck just the right note of protest against the powers that were . . .

Hunt, of the Stanley Camp, was once again young Hunt battling his way out, instead of William Peter Hunt, the multimillionaire

operator, clubman, bon vivant; the man to whom China had turned over its merchant fleet on trust. The banknote salesman who had fallen into several million dollars of commission because the Chinese liked him.

In a sense, the Stanley photo is also a harbinger of the Bill Hunt who was to take on the giants of the banknote world, American Bank Note and De La Rue; the Bill Hunt who wanted to become Rino Giori's partner but couldn't because they were cut from the same mold; the Bill Hunt who precipitated the banknote world's biggest, nakedest, drag-out battle.

* * * *

He was born in Niagara Falls, N. Y. on May 11, 1900 but spent most of his youth in Washington, D. C. where his father, a minor Democratic politico, had become chief clerk in the U. S. Senate. After high school Bill worked in the Senate as an elevator boy and page. He went to George Washington University spasmodically and then to an obscure night law school. He didn't graduate, but worked for a local law firm for a couple of years. Unable to find himself in the then sleepy Washington, he decided that he had to make his fortune elsewhere. With his father's influence, he was able to get a non-career appointment with the U. S. Consular Service. He arrived in Tientsin, China in May, 1925.

Non-career meant he hadn't taken the entrance examination and he was not going to be a Chinese-language student, calling for a five-year intensive course of local study. Non-career also meant he had influence; that he didn't intend to stay in the poorly paid consular service very long.

His opportunity came in Tientsin, a leading port on the North China plain. The War Shipping Board in Washington was trying to dispose of U. S.-owned World War I ships rusting away at various ports around the world. One day the Vice Consul fielded a cable asking him to recommend some solid American company in Tientsin that might be interested in taking over the two ships docked there. Hunt left his office, walked to the nearby docks for a closer look at the vessels. He didn't know much about ships but he knew they had to be worth something. He cabled Washington that the consulate recommended an American firm in Tientsin for the takeover: William P. Hunt & Co., highly regarded locally. The new company was able to take over the ships for little more than port charges. Hunt had, of course, resigned as vice consul. He was able to sell them at a great

profit to a much longer-established shipping company, Leonard Everett & Company of Shanghai.

He began studying the shipping business and saw opportunities. He wrote so enthusiastically of his new field to his well-connected father in Washington that the latter felt his up-and-coming son deserved another government niche. In 1928 Bill Hunt was appointed Shanghai agent of the U. S. Shipping Board.

It was a particularly memorable year for young Hunt. While in Tientsin, he had fallen in love with an attractive White Russian blonde named Vera Sokov. The only problem was that she was also Mrs. Fritjof Frisk, the wife of the Swedish manager of the Russo-Asiatic Bank in Tientsin. (After the Russian Revolution, some 60,000 White Russians fled to China.)

Today, at 87, Vera Hunt lives in a substantial white-clapboard house in Madison, Connecticut, near the shoreline. The home still has many of the pieces brought over from China long ago. Her white hair is slightly bouffant and she reminds me of photos of Lenin's widow, Krupskaya, near the end of her life. She recalls the China time:

"My father had been the Russian consul for the Czar in China from 1914-17 and I spent most of my life there, but like most of us, I only spoke a few words of Mandarin, kitchen talk. My first husband was very courtly and dapper and looked like a diplomat should, but it was not a good marriage. Bill and I fell in love soon after he came to Tientsin. I was five years older, yes, but it didn't matter. I had become a Swedish subject by marrying Fritjof, whom everyone called Frisky. Under Swedish law, which was very advanced for the time, you could wait two years and get a divorce just by telling the judge that 'we do not get along.' I suppose it was the first no-fault divorce law anywhere."

She and Bill were married on December 21, 1927 at the Congregational Church in Shanghai. She still has their wedding picture, posed on the steps of the Church. Bill, in his swallowtail coat, is standing six-foot tall with folded hands. His smooth black hair gleams. His eyes are sad, even spaniel-like. She stands next to him, cool, blonde. They didn't smile in wedding pictures, then.

They rented a house in Shanghai on Avenue Petain in the French concession. After less than a year with the War Shipping Board, Hunt joined the shipping firm of Leonard Everett and became a partner.

The Hunts' only child, June, was born in 1930. In 1933, Hunt left the Everett firm and began his own company, William P. Hunt & Company. (A real firm this time, not a temporary shell, as in Tientsin.) He soon represented some 70 American firms as their China agent. His offices on the Bund expanded constantly and in 1936 he needed an office manager and controller and took on his wife's first husband, Fritjof Frisk, whose bank had collapsed. "It was very civilized," Vera recalls.

The 1935 edition of *Men of Shanghai* , a kind of local Who's Who, is a measure of how fast and how far he had moved in Shanghai society. He lists his memberships as: American Club, Columbian Country Club, Tientsin Race Club, Shanghai Hunt Club, Shanghai Polo Club, and the E Club of Washington.

In 1937 the Chinese government was being pressed hard by the Japanese military machine. Worse, China's considerable fleet of merchant vessels was in imminent danger of being sunk or captured. To protect the ships, wharves and warehouses—properties worth some $25,000,000—the Chinese hit on the idea of signing them over to an American citizen they'd learned to trust: William P. Hunt. He was now a man of substance. The 250 key U. S. products for which he was the sole distributor in China—motors, electric trolleys, machine tools, structural steel—were being sold all over the country. The Hunt company's influence was felt throughout China's commercial life.

A businessman who had known Hunt in China, recalled "it wasn't a place for gentlemanly fair-play tactics. Hunt got ahead fast because he was ruthless, even unscrupulous. He would do anything to get an advantage. But he had a great plus going for him: everybody knew he kept his word. . ." A Time correspondent put it succinctly in the magazine's old "where-it-all-will-end,-knows-God" style: "Tirelessly, the Hunt fingers probed every phase of Chinese commercial life, often turned up in a competitor's eye."

But life, for Hunt, wasn't just business.

"Bill was always attractive to women; they always chased him," Vera Hunt says. "He always said he really found himself in China. It was a place made for him. You know, he was a brilliant man, could have been anything he wanted."

And late in 1938 what he wanted, apparently, was to become a good friend of the British Ambassador's wife. She was about 5'2", pretty, fair-haired, vivacious, Chilean. Her maiden name had been

Maria Teresa Diaz Salas, a daughter of one of Santiago's best-known families. There she had married Sir Archibald John Clark Kerr when she was 18 he was 47. There were other differences besides age and height (she was 5'2" and he was 6'2").

A recent British work, *The British Connection*, by Richard Deacon, who has written several histories of various national secret services, describes the Ambassador's history thus:

> His first posting (in 1907) was as Consul-General in Tangier where he was a discreet but regular visitor to male brothels in the Kasbah . . . in Chile to the astonishment of his friends, this seemingly confirmed bachelor and homosexual decided that a diplomat needed a wife, if only to help with some of the entertaining, most of which bored him . . .

The friendship between Hunt and the Ambassador's lady was widely known. (Not long ago I asked Teddy White if he remembered Bill Hunt from his China days. White nodded: "Sure. He was a handsome rogue and a gambler . . . but mostly I remember the British Ambassador's wife . . . ")

By 1940, the Japanese attacks on the Chinese mainland had become much bolder and it began to look as if the sacred International Settlements of Shanghai might no longer have their historic immunity. Hunt sent his wife and daughter back to the States. Vera and June lived with Bill's uncle who was warden of the new Attica prison in upstate New York.

Early in 1941 Hunt flew to New York to establish offices there. He appointed two old China business friends as his local managers. Back in China, he took on as a junior partner, a chunky, ebullient Canadian, Marty Gold.

Gold was born in Vancouver, Canada in 1906. In his teens, he hustled his way through high school running a cigar store and during his one year in college he managed a small hotel. But when he was 19, he realized he needed a bigger scene: New York. It was 1926, the bull market was on and he managed to get connected with a reputable brokerage firm, White & Company, as a stockbroker, a salesman. He did well, bought a Stutz Bearcat and lived it up. He survived the 1929 crash and the early Depression years. Sometime in 1934 he was introduced to Bernard Baruch, who told him that the next big frontier was China. Much impressed, Gold began working on his firm, White & Company, to open a Shanghai office with him in charge. He came to Shanghai in 1936. The office didn't do too

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well and by 1938 Gold was looking or other opportunities. Then he met Bill Hunt, who was always on the lookout for bright young hustlers. Much later, Marty Gold told friends how Hunt hired him:

"There was a personnel test for every new male employe: the boss took you to the American Club and you started drinking. He matched you drink for drink and while you were drinking he was pumping you for intimate details of your past business relations. If after six, seven drinks you hadn't revealed very much, you passed. I was hired.

At first, Gold was just another hand, but he brought in a lot of new business and Hunt was impressed. In 1939 Hunt made Gold general manager of the Shanghai operation. One day in early 1941, Gold told Bill Hunt the firm ought to look into a sideline that was making a couple of other companies very rich. Those firms were American Bank Note and Thomas De La Rue of London; they were the chief suppliers of China's banknotes.

Hunt made some discreet inquiries. Such was his influence that in a month he was told that he could have a contract for 100 million banknotes. And which company was he going to give the order to?

This called for a little more research. Obviously, there was no point in taking the contract to American Bank Note and De La Rue. They didn't need Hunt. He went to the U. S. Consul's office in Shanghai to find out who else printed banknotes. A clerk checked a trade directory and found that, yes, there was another firm. Something called Security Banknote. In New York.

Hunt did some checking. Security was small but reputable and had done stamps for some foreign countries. He sent them a cable asking for quotations on 100 million banknotes, U. S. size, to be done in intaglio on both sides.

Today, George W. Goldsworthy is long retired from the banknote business. He had been in it all his life, as his father had been. The latter had founded the Republic Banknote Company of Pittsburgh and its most notable achievement had been to end the monopoly American Bank Note had on New York Stock Exchange securities. Not long ago in a Philadelphia suburb, George Goldsworthy recalled the events that followed after receipt of the Hunt cable in 1941:

"The cable said 100 million notes but right away Security assumed that it had to be a typo. No one in his right mind would ever assume that little Security could turn out 100 million notes. Ergo, they couldn't mean 100 million; they really only meant *one* million. *That*

number could be handled. So they cabled Hunt quotations on one million."

Back came Hunt's reply: he really meant *100* million; and that was probably just a beginning. China was going to need lots of banknotes.

T. C. Bradley, then president of Security Banknote, had done some checking on this mysterious cable correspondent W. P. Hunt and found that he was indeed a man of considerable influence in China. Knowing that his own firm couldn't handle an order of that magnitude, Bradley initiated merger talks with Republic Banknote of Pittsburgh. The merger took place in early 1942, with Security emerging as the surviving firm.

The contract with William P. Hunt & Company and Security called for providing 100 million banknotes for the Central Bank of China. The contract was signed on August 22, 1941 by Martin Gold, manager of the "Banknote Department" of the Hunt company. Under the contract, the firm was to receive 10% commission on all orders Security would get from China.

"Those orders," George Goldsworthy recalls, "knocked us for a loop, staggered us. We were still working night and day on the first hundred million, when we got more orders. Even with the combined resources of the two firms, we knew that this was just too big for us. So we arranged for Jeffries Banknote in Los Angeles to become a subcontractor and we filled every second of their intaglio press time all through the war. We even went up to Canada to get British-American Banknote to help out on a subcontract. Me, I was eating banknotes for breakfast, lunch and dinner. Nothing else mattered. It was pretty crazy."

From the first contract in 1941 to the last in 1948—when Chiang Kai-shek's government collapsed—Goldsworthy estimates that his firm and its subcontractors did "in excess of nine billion notes." But he couldn't put a value on the gross prices. The office records were long since destroyed. But if the price was only two cents each, the cost was at least $180 million. At the 10% commission level, Bill Hunt's and Marty Gold's commission would have been some $18 million. Still, that might be on the high side. Toward the end, the notes were done by the much cheaper lithographic process and they probably cost less than a penny each. Other banknote people I've talked to think that Hunt and Gold commissions amounted to about $12 million, with Hunt getting three-fourths, or $9 million.

"The money came in fast," Goldsworthy recalls. "It put us in the big time and I think it hooked Bill Hunt. He'd probably never made so much money so fast, and he had been making a lot of money in China even before that."

In September, 1941 Bill Hunt flew to the U. S. to iron out details with his banknote supplier; checked out affairs at his New York office, and returned to Shanghai. There he decided that his junior partner, Gold, would go to Chungking to be near the headquarters of the Chinese Nationalist Government and field all the new banknote orders. Late in 1941 Bill flew down to Hong Kong for a party he had promised to attend. He was supposed to leave for the U. S. on a Pan Am China Clipper. On December 7th.

* * * *

The Stanley camp internment period was a time of testing for Hunt. Norwood F. Allman, an Old China Hand who also had gone out originally as a vice consul but later became a prominent lawyer in Shanghai, recalled the early days in the camp:

"We established a communal mess hall in what had been the old prison garage . . . as soon as the housing problem was attended to, the American group met in a mass meeting to elect their community government. The British and Dutch did the same . . . I presided at the American meeting and we elected a communal governing committee made up of William P. Hunt, Chairman. . . every man, woman and child was given some definite duty to perform . . ."

Allman who now lives in New York City and on a farm in Vermont, recently recalled the terrible time in the camp:

"We turned to Hunt, I think, because everyone thought of him as a bold, successful fellow who might be able to deal with the Japanese. He did a good job under terrible circumstances . . . we were starving to death, so the daily humiliations the Japanese practiced seemed almost minor. Bill was our go-getter and fixer—if things could be fixed. Often, it wasn't possible. . . "

Recently, Bill Hunt's second wife, the former Barbara Dunne, recalled:

"That Stanley Camp time haunted him mentally and physically. They beat him with bamboo sticks, and once knocked out most of his lower teeth. No matter where we travelled, we'd run into people who'd been there with him and almost always they'd be thanking him for something he did for them. One woman I remember thought the greatest thing in the world that anyone could have done for her in the

camp was that Bill enabled her to have her baby in private . . . Whenever we went to Hong Kong he always took time out to put flowers on the graves of those who didn't survive Stanley. Sometimes, if I didn't feel like going to a party—and we went to lots—he'd say that's okay, honey. I got caught in Stanley because I stayed over an extra day in Hong Kong for a party . . ."

In June, 1942 the camp residents learned that some of them were to be moved to Shanghai. Some were to be repatriated because they had diplomatic status, or were newspaper correspondents. Others were to be sent to prisoner-of-war camps elsewhere in China.

Hunt was being sent to a tougher camp in Nanking. On the north-bound ship "Asama Maru" he found that the diplomats aboard were to get off at Shanghai where they would later board another ship that would repatriate them to their respective countries. He knew that Nanking would be the Stanley camp all over again, but worse; he also knew it was going to be a long war and survival under camp conditions was unlikely. Coolly, during the several days' voyage from Hong Kong to Shanghai, he became friendly with a group of Iranian diplomats. On the last day out he made a deal with one of them. The diplomat had an extra striped pants and morning jacket outfit and black hat. It needed adjustment to fit Hunt's much larger frame. He found a ship hand who did some rough adjusting. In the morning Hunt boldly walked off the ship with the Iranian group.

In Shanghai, now enemy territory, there were no friends who could help. Perhaps an enemy . . . Hunt remembered the Japanese barber he used regularly, a man he long suspected of being a Japanese agent. (It was a favorite cover for Japanese agents then.) He made a few guarded inquiries and found his hunch was correct: his former barber was now high up in the occupation forces. Fortunately, Hunt had always been a heavy tipper. His old barber-friend agreed to help him find the right area where the diplomatic internees were being grouped for repatriation aboard the SS Gripsholm.

He managed to get aboard and returned to New York late in August, 1942. From Ellis Island, still clad in the worn, dirty clothes he had come aboard ship, he walked to his offices at 150 Broadway and confronted the two old friends he had installed as managers. He had reason to believe they had been stealing the firm blind. They were about to leave for the day, but he insisted they stay—while he checked the books. From a rough survey, he estimated that they had taken about $150,000 from the firm. He fired them on the spot, but never

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prosecuted. He had known them and their families too long, he later explained.

He took an apartment at 1035 Fifth Avenue for his wife and daughter and kept an eye on his banknote contracts at the Security Banknote offices. In 1943 he became friendly with Bill Donovan, head of the OSS, and there's reason to believe that Hunt was an advisor on various OSS money counterfeits intended for use against the Japanese. Late in 1944 Hunt returned to China—Chungking, this time—where Marty Gold had opened an office to keep the banknote orders flowing.

Ward D. Smith, then a U. S. Army Captain in charge of the war correspondents in Chungking, recalled that Gold's house parties were famous in Chungking. "Very popular place. He was one of the very few civilians who had his own power generator. We had adjoining backyards and his parties were damn noisy. He was never out of Scotch and beer."

One of the other reasons Hunt was needed in Chungking is that the Chinese were anxious about the $25 million worth of shipping and warehouses they had put in Hunt's name in 1937. There was a conference in Chungking. They assumed Hunt was entitled to a reward for his guardianship and they asked if $1 million would be all right?

Hunt often told the story afterward:

"I slammed my fist on the desk and gave them all a dirty look. Then I shouted, 'I loaned you the protection of my citizenship; I didn't sell it. . . I want ten Chinese dollars for the properties—with your autographs on the bill.'" Since the amount he asked for was then worth less than a U. S. penny, it took a few seconds before the stunned Chinese officials broke out into broad smiles.

Such a good friend of China naturally had no trouble getting further banknote orders.

In the spring of 1946 the war was over but China's war with the Red Army forces still continued. Hunt returned to Shanghai to make a deal with his junior partner. For $3,000,000 Hunt sold his share of the firm to Marty Gold. Every businessman there wondered why Hunt sold out. Hunt later said that he just had a hunch the Nationalists wouldn't be able to hold out too much longer. And in 1948, of course, he turned out to be right.

(Gold married a pretty, American UNRRA worker, Claire Hosp, and had two children. After the fall of Shanghai in 1948, he moved

on to Hong Kong and then to Mexico in 1951, where he opened a factory making plastic shopping bags and wrappings. He did well but had to give up more than $1 million in a settlement with the U. S. Internal Revenue Service on his earnings from the China note contract. The fact that Gold had signed the contract in New York made his earnings taxable, IRS decided. From Mexico the family moved to California. He lost nearly all of a sizable fortune in the 1960-61 bear market. In the spring of 1974, when he was dying of multiple myeloma, things were so bad that his son, Martin, Jr., had to sell some of his father's cherished rare Chinese banknotes to help pay the hospital bills.)

In 1946 Security Banknote pulled a boner on a large issue of Chinese notes. After the notes were en route, someone discovered the Chinese treasury official's chop—his signature—on the note was in blue ink. Traditionally, blue ink meant the man was dead. There was an all-day panic at the Security Banknote offices. They asked Hunt for advice. He calmed them and listed the two possibilities:

"We offload the notes on lighters before the Chinese get them in Shanghai. We destroy the batch and then replace them with new notes and a red chop." Everyone groaned. The loss would be more than $2 million. "And the other possibility?" a Security official asked timidly.

Hunt smiled grimly. "We all pray very hard—and the first one who asks what for, doesn't belong in the banknote business."

The prayers worked. While the ship was en route to Shanghai the treasury offficial died. Now the blue chop was perfectly appropriate. In China, a surprising number of treasury officials toyed with the idea that somehow Hunt had managed to make sure the official keeled over with a heart attack.

Hunt's friendship with the Ambassador's lady continued and in 1945 she secured a divorce on the grounds of desertion: she hadn't joined her husband when he became Ambassador to the Soviet Union in 1942, after completing his China assignment. Some thought that Bill Hunt would get divorced to marry the lady—there was some talk that Vera wouldn't give him a divorce—but in any event, nothing happened. Except that in August, 1947 Lord Inverchapel, the newly-appointed British Ambassador to the U. S., remarried his former wife, Lady Clark Kerr, in Edinburgh. He was 65 and she, 36. Back in Washington, Bill Hunt and his old friend managed cordial reunions.

(The British Embassy, right after World War II, must be the ultimate delight of any serious espionage psychologist. Besides the three unknown Soviet agents—Maclean, Burgess and Philby—who were to surface much later in Moscow, the Embassy also contained a Russian citizen named Yevgeny Yost who was masseur-valet to Lord Inverchapel. Yost was *given* to the Ambassador by Stalin when Inverchapel was leaving his Moscow post. It was Stalin's second extraordinary gift to his favorite Briton. He had also given Inverchapel a Thomson sub-machine gun as a going-away gift.)

* * * *

In 1946 an old family friend became more closely tied to Bill Hunt's operation. He was Cornelius Van S. Roosevelt, a grandson of President Theodore Roosevelt.

Recently, on a hot summer day in the bar of his New York club, Cornelius Roosevelt filled me in on the Hunt connection. He is 66, earnest, and has a fine memory. He got a mining engineering degree at MIT in 1937. During World War II, he had been a Navy engineering officer.

"My family," he begins, "had known Hunt before the war. When members of the family were going through China on expeditions or visits,his office was always helpful and often they stayed at his home in Shanghai for a time. My mother, Mrs. Theodore Roosevelt, Jr., for example, had stayed with the Hunts in 1938 and she was caught in the bombing of Shanghai. She admired Bill, was amused by him but also a little leery. She once told me why. Seems she was once on a boat and Bill was a passenger, too. One of the first things Hunt did was get the radio operator in his pocket so that (a) his messages wouldn't be seen by anybody, and (b) any other messages that Bill wanted to see, could be seen, just in case. I suspect she also thought he was a bit of a social climber. But he was always welcome when he visited us at Oyster Bay.

"Anyway, I opened up the Taiwan office for William Hunt & Company in 1947. Bill had already opened branches in Manila and Bangkok. But by 1949, I was a little unhappy and resigned and returned to the U. S. Perfectly amicable parting. Then about six months later, Bill Hunt calls: can I come to Manila quickly to help him bid on banknotes the Philippines needed? (Until 1949, the U. S. Bureau of Engraving had supplied all the Philippine currency and had done so since 1904. In all, the Bureau turned out nearly 400 million Filipino banknotes in that period.)

By this time, Roosevelt recalled, Hunt had become "hooked on the banknote business. The size of the contracts . . . the plotting and scheming. The infighting, the intrigue, the conniving . . . He was, I sometimes thought, a man born out of his time. He would have made a great pirate." (Hunt had taken on two partners who were running the staider side of his business, selling heavy machinery and power plants to Korea, Taiwan and Hong Kong. But by 1950, banknotes had become the most profitable end of the business.)

"Bill thought he needed me, not because I knew about banknotes, but rather because my father had been the last U. S. Governor-General of the Philippines, retiring in 1932. The family still had a lot of good connections and the name carried weight, I'm sure. Before I told Bill I'd join him, I made it clear that if this was going to be a pay-off situation, I wasn't going along. He said we'd get the contract on the merits only and if I helped out, I'd get a commission on the total order."

Before he flew to Manila, Cornelius Roosevelt did some research in Washington.

"There was a lot of inflation going on in the Philippines. To the point where their copper coins were soon going to be worth more as copper than coinage. And that meant that the Chinese would start melting down the coppers which would vanish from circulation. The only answer I could see was that the country needed fractional currency—5-, 10-, 20-, and 50-centavo notes. I persuaded Bill it would be a good investment to spend $30-40,000 in plates ahead of time. He got Security-Columbian to go along. When I got out to Manila, all the central bank people I talked to about fractional currency laughed politely. Three weeks later, the laughs stopped; they admitted maybe I was right. Just about all their copper coins had disappeared from circulation. They quickly announced bids for fractional currency. For 700 million notes. This was going to be juicy and all the banknote people gathered in Manila. De La Rue, Waterlow, and American Bank Note, represented by Henry George McNary who was slight, white-haired and elegantly dressed. An even heavier drinker than Bill Hunt. McNary had a Chinese servant who wouldn't let him out of the house if there was a wrinkle in his shirt. He also changed his white linen suit two and three times a day."

The banknote representatives submitted their bids and the Roosevelt-Hunt bid was on the high side: $2.94 per thousand for notes which were to be about 4½ inches by 2 inches each. Of course,

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at that price the notes were going to be lithographed, not intaglio-printed.

Corny Roosevelt continues: "We were high bidders but one of the requirements was fast delivery. The coin problem was out of hand. Because we had already made the plates, as I had suggested, we were able to promise first-batch delivery ten days after signing the contract. Well, the others said hey, give us 24 hours to get in touch with our home offices and let's see what *we* can do on delivery. Ordinarily, first delivery is never less than three months after contract signing. We knew they'd pull this trick. An old one in the business: first find out what your competitors bid; then, if you lost, ask for 24 hours to see if you can improve your bid."

We are drinking iced tea in the nearly deserted bar of his club, and Roosevelt suddenly breaks out in a broad smile. Clearly, he relishes reliving the incident. He is no longer the staid Washingtonian in the traditional battle dress: white, button-down oxford and bow tie.

"One of the good connections I had in Manila was the head of the Philippine Long Distance Telephone Company which maintained a 9-hour open circuit to New York and London. When the circuit opened at 7 a.m. I was on it immediately with a collect call to Bill Hunt in New York. I knew it was the only circuit. So I talked to Bill and he talked to me. He read me *The Wall Street Journal* , word for word, and when he finished I read him *The Manila Times* right down to the classifieds. When the circuit closed down at 4 p.m., we had run up an $11,000 phone bill but it meant that our competitors had to get in touch with their home offices by cable. The trouble with cable for a situation of this kind, is that there is no quick give and take. A lot of things, like banknote shipment schedules are very difficult to transmit that way. So we knew we had them. None of them could possibly come up with anything that could beat us in time, and we got the contract. It was worth about $2½ million. McNary was the most affected, because American Bank Note had the lowest actual bid. Still, when it was over, he bought me a drink and congratulated me. We really began deliveries ten days later by chartering several planeloads of Northwest Orient planes."

After that successful job, Roosevelt went to Taiwan and Hunt asked him to come to Manila again, this time to help bid on tobacco revenue stamps.

"It was one of those convoluted Oriental problems I used to love tackling. The Philippines then imported most of their tobacco and if

you manufactured cigarettes you had to place a 2½" x 3" blue-and-black revenue stamp on top of the cigarette pack. The tax stamps could be bought at the postoffice. The Filipinos realized that something was wrong because the number of stamps bought didn't nearly equal the amount of tobacco imported. So they knew a lot of counterfeiting had to be going on."

The police eventually discovered that a skid-load of tax-stamp paper with a watermark had been stolen while en route from the ship to the government printing office. Then the gang "borrowed" the genuine plates from the General Post Office on a long holiday weekend. Now they had genuine paper and genuine plates and they ran off hundreds of thousands of stamps. Before the weekend was over, they returned the plates to the Post Office and at the same time they exchanged their counterfeit revenue stamps for packs of the genuine. In effect, without knowing it, the government was selling the counterfeit stamps. Only the crooks had the genuine stuff for their cigarettes.

Roosevelt got the revenue stamp order by "persuading them that our stamps couldn't be counterfeited easily. What really impressed them was a simple test that any local cop could make on the stamps. We used a pale blue ink that was water fugitive, which meant that it would smear easily with a wet finger. So the obvious test was running a wet finger over the tops of suspected cigarette packs. If the ink *didn't* smear, it was counterfeit. The crooks couldn't get the water fugitive ink that easily, so the government was ahead of them for quite a while."

In the Philippines, as elsewhere, the extent of human gullibility is beyond the most patronizing banknote-company anticipations.

"When the first issues of our fractional currency came out, they were reproduced in all the newspapers to show the public what the new notes looked like. We gave the papers specimens which had the word "Specimen" printed all over and holes punched out. A lot of papers reproduced these notes in color. But lots of people clipped the specimens, pasted them back to back, and used them successfully as currency."

Roosevelt, like most banknote men, is amused by the kinds of hidden meanings, the cryptic art, that the public insists on seeing in its engraved banknotes.

"There was this Filipino one-peso note. If you folded it properly a remarkable figure emerged in the border engraving. Looked very

much like the inner thighs and vagina of a young woman whose knees were raised. Story was that it was a drawing of the daughter of a Philippine ruling family, who was supposed to be the family's main bribe-taker. The drawing, the street talk went, was of the *place* she received the bribes . . . "

(The ultimate in the byzantine complexity of Philippine political life may have been attained in November, 1969 when the National Election Commission had to warn voters against accepting bribes. The Commission said that more than $2½ million worth of Philippine peso notes had been counterfeited by enterprising politicians. The bogus cash was said to be crude in quality but would pass in darkness or remote provincial villages during the national November 11th elections. What the National Commission didn't have to add—it was clearly a national given—was that if the political counterfeiters got elected as a result of their worthless bribes, why, naturally, there'd be no prosecution.)

* * * *

In 1951, Bill Hunt's banknote source, Security Banknote of New York absorbed Hamilton Bank Note of New York—the firm that had made the old Seebeck stamp reproductions in the late 19th century and had earned the eternal opprobrium of upright stamp collectors. (See chapter 15). Then in 1957 the firm merged with Columbian Bank Note of Illinois and it became Security-Columbian Banknote. Later, Cornelius Roosevelt was carried as an officer of Security-Columbian Banknote.

"A lot of people didn't like Bill Hunt and I'd often get asked how could I work for him? Easy. He was very generous and if you were loyal to him there wasn't anything he wouldn't do for you. He was also a big anonymous charity. He kept a lot of Old China Hands going after the Red Chinese wiped out their holdings in 1948."

* * * *

When Bill Hunt divorced Vera in 1952 in Reno, most of his friends were sure that he would marry Lady Inverchapel. She had been widowed in July, 1951 when the former British Ambassador to Chile, China, the Soviet Union, and the United States died of a heart attack in Greenock, Scotland. His executors, says the august *Dictionary of National Biography* , "were astonished to find among his possessions an unlicensed tommy-gun which had been presented to him by Stalin." (The other Stalin gift, the masseur-valet, was running a fish-and-chips shop in Scotland.)

Lady Inverchapel moved to New York. Hunt's private secretary and confidential aide for many years, Rosemarie Menzies, recalls that her boss often told her that he wanted to marry the Ambassador's widow and she assumed that his trip to Reno was to help make that marriage possible. But when he returned, something happened and the marriage was off. Instead, late in 1952 Bill Hunt married Barbara Dunne Patterson, a beautiful model.

She is now in her fifties and still fairly arresting. We are talking in the large Park Avenue apartment she shares with her present husband, a quiet, prosperous New York cancer surgeon, Bernard B. Wetchler. My notes say: she "looks like an unauthorized repro of Brenda Frazier of the 30s."

She is animated, slender, about 5'5", and relishes talk of the past and her career "as a top model. Y'know, I only stopped seven years ago." Her voice is low, throaty.

She met Hunt at a ballgame. "We had great times together. You loved him or you hated him . . . but really, he was much too old for me. I was just a kid who had come to New York to become a model. Out of Cincinnati. Later I used to think this is crazy; the man I've married is only three years younger than my father; and I was only four years older than his daughter, June. We had tons of fun even if he was very jealous."

Hunt had told her of his long friendship with Lady Inverchapel. "One day, an Old China friend of Bill's, Fritz Schick, calls me and says, Barbara, you'll never guess who's selling gift items at Bergdorf's. Who, I asked . . . Only Lady Inverchapel, he laughed . . . Well, that I couldn't resist. After all, I'd never seen her—this must have been about December 1953, and I hopped in a cab and got over to Bergdorf's and the gift department.

"I knew what she looked like. Funny thing, I can't remember a thing about her appearance now. Not a thing. But I bought a few gifts, ordered them sent and charged to *Mrs. William P. Hunt* . She didn't turn a hair. I had to admire that. Class. But I'm sure, inside it must have churned her up, don't you think? I came home that night and told Bill what I had done. He hit the ceiling: 'Barbara, you're a first-class bitch!' Well, maybe he was right. It wasn't a nice thing to do but I couldn't resist. And all I could think of in the cab ride home—we were living at 1040 Fifth Avenue then—all I could think of, well, so *that* was the great romance."

It was a fairly stormy marriage, Barbara admits. "They had nothing

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in common," an old friend of Bill's recalls. "I think it only lasted a couple of years and the only comment about it that I ever got from Bill was, 'I decided that I didn't need *that* much excitement. Still, she was gorgeous to look at—when I didn't feel like killing her.'"

In 1956 Barbara got her divorce in Mexico. They had been separated for a fairly long time before that. Shortly after, Hunt married Dorothy Williams, a very tall, pretty, former Miss Connecticut.

Although William P. Hunt & Company was still a very prosperous operation in the Far East, it was run by two of his partners who lived and worked there. In New York, Hunt had become Chairman of the recently consolidated Security-Columbian Banknote Company. The firm had not been doing too well. There had been one-time banknote jobs that Hunt had gotten the firm from Ethiopia, Indonesia, Philippines, and the Sudan. But they had not been too profitable, partly because the intaglio-printing equipment the firm used wasn't very efficient. And the firm continued to be No. 2—after American Bank Note—in getting orders for securities and bonds from American industry.

Hunt knew that his firm's old intaglio-printing equipment kept it from becoming bigger, from turning out banknotes and stock certificates more efficiently. Then he met a brilliant Italian named Gualtiero Giori.

Recently in New York, Bill Hunt's only child, June, now a professional actress—Broadway and Off-Broadway—recalled the Giori period. "I had been married at 19 at the end of my soph year at Sarah Lawrence. I met him in Washington where my father often took me. My marriage broke up in two years and then I went to the Academy of Dramatic Arts for further study with Lee Strasberg. I was getting good parts. But when I was at liberty, my father used to come up with what he called 'June projects.' Oh, once he had me catalog every banknote in use: size, color, who was printing what for whom. And I was getting a weekly salary. Then one day he said, I have a real job for you: interpreting. There was an Italian who spoke French well. So did I: I'd had a French governess in Shanghai. That's how I met Rino Giori."

She shakes her head in recall. "Even a child could have seen the situation was hopeless. The two men were fascinated with each other, and both were great storytellers. But when you got down to it, when two titans clashed there had to be a loser. And my father had to lose because Giori had his marvelous machines and he wasn't go-

ing to take on a partner unless my father came up with a lot of money, which Security-Columbian didn't want to spend. In any case, after a time Giori asked me if I'd mind very much if he brought in his own interpreter. He made it clear she was more than that to him. He was so open and good-natured about it, you couldn't take offense." (The new interpreter for the Hunt-Giori negotiations later became Giori's mistress for several years.)

Hunt had seen Giori's machines in operation in Europe; so had George Goldsworthy. They were very enthusiastic. In fact, Bill was all set to work out an agreement with Giori to represent him in the sale of the machines to foreign countries.

As a Goldsworthy memo of 1958 put it:

"Unless we join Giori, his already successful sales of equipment and assistance programs to Foreign Governments which together with those of De La Rue are contracting the potential currency markets available to us, we will find ourselves eventually completely out of the Foreign Banknote field."

What was called for was an investment in Giori's equipment of about $500,000—it would be about $6 million today—by Security, but Hunt and Goldsworthy weren't able to persuade the firm's directors. "It was very dispiriting for Bill and myself," Goldsworthy recalls. "It meant we were really finished in the banknote business. But the firm wasn't in too good a shape and I suppose some of the directors felt we had a nice little domestic business turning out stocks and bonds, so why did we have to knock ourselves out with foreign banknotes?"

* * * *

The great Bangkok blowup began in 1954 while "Wild Bill" Donovan, former head of the World War II OSS, was the U. S. Ambassador to Thailand. He and Hunt were old friends. Hunt had visited Donovan, and one night over dinner Donovan told him that he had reason to believe the Thais were unhappy with their traditional banknote supplier, De La Rue.

Mostly, there had been a massive counterfeiting of the Thai bank notes by a Hong Kong gang. Then too, the Thais still had a lingering resentment that during World War II, De La Rue had used its Thai banknote plates without permission; had run off a large, unauthorized issue.

In 1960, Alan E. Houseman, then managing director of De La Rue—he was also the son-in-law of Bernard Westall, having married

the latter's daughter, Lorna—told a Thai court just how De La Rue turned out the unauthorized issue:

"During World War II the British government ordered De La Rue to print Thai banknotes for the Free Thai Movement. Both De La Rue and the Bank of England protested against this order." (In fact,the final command to do the banknotes, from plates that De La Rue had, came from Churchill.) "The British Government ordered us to do about 12 million notes. The company delivered all the notes to the British Government . . . the banknotes were airdropped in Thailand, about 11 cases of 25,000 notes each . . . The balance were still with the British Government . . . The Thai government later purchased the additional notes . . ."

I had been introduced to Bill Hunt in 1961 when I got interested in the banknote world. He described the De La Rue order from Churchill. "It wasn't a big deal. Hell, we would have done the same thing if we were asked by our government in wartime. And in Britain it's harder to resist a government order. In peacetime De La Rue is always palsy-walsy with government. The local Embassy helps them sell and the King's Messenger, the diplomatic courier, carries their orders home. So in wartime, it's hard to say no."

On trips to Bangkok in 1955, 1956 and 1957, Hunt had made overtures to Bank of Thailand officials to whom he had gotten introductions through the U. S. Embassy. But he found De La Rue too solidly entrenched. After all, they had been doing Thai banknotes since 1903 without interruption.

Still, Hunt had his local office keep an eye and ear out for an opportunity. U.S. companies were highly regarded in Bangkok then: the country had gotten more than $170 million in U.S. grant aid, and loans totalling some $20 million for economic development.

The first Hunt move toward pushing out De La Rue took place in early 1958 when the New Yorker was introduced to Suchit Hiranyapruk, private secretary to Chote Kunakasem, the Thai Finance Minister and Governor of the Bank of Thailand. From Suchit—Thai nomenclature rules are similar to the Chinese: last names first—he learned that the Finance Minister was disturbed at the seeming monopoly De La Rue had on Thai banknotes; that he was unhappy about a supposed massive counterfeiting of the De La Rue notes, made either in China or Hong Kong. In short, Chote was ready to listen to reason.

After several meetings, Hunt was able to work out a reasonable

deal: Security-Columbian would get an order for 550 million banknotes to be printed at a cost of $3,948,000 plus about $75,000 for the cost of new engravings. An advance payment by the Thai central bank would be made in New York to Security, for $660,000. In return, there were certain inescapable commissions, including a 1% commission for Hunt's local agent, Robert Weber.

An old friend of Hunt's recently filled me in on some of the ensuing events:

"The trouble started when Chote wanted a letter affirming that he would get his commission. This made Weber and Hunt very nervous of course, but Chote insisted. To reassure them, Chote said he would put the letter in a bottle and bury it deep in his garden. Well, Weber reluctantly drew up the letter. He gave it to Chote, but he left a carbon of the dangerous letter in his drawer at his office.

"Weber had a secretary, a nice little Eurasian woman, Ina Zettoon. She was slight, dark-haired, and had a good friend who worked for the Bank of America. Only, her friend was also a Briton who had channels into the British Embassy. Ina told her friend she had come across the letter. He asked her to make a copy and he turned it over to the British Embassy. Naturally, they couldn't wait to show it to Alan Houseman of De La Rue—and then the balloon went up. Can you imagine putting such a secret deal in *writing* and then leaving a copy hanging around for anyone to see?!"

By the time the contract surfaced, though, Security-Columbian had already received its advance payment of $660,000, paid out of the Thai account with the Federal Reserve Bank in New York.

Rosemary Menzies, Hunt's confidential secretary, takes up the story:

"Bill had just flown out to California, preparatory for a flight to Bangkok. As I'm coming into the office, I read a *New York Times* item, buried on page 34. It was from Bangkok, dated May 3, 1959, and said Minister of Finance Chote Kunakasem was dismissed and his secretary was arrested yesterday when the Government came into possession of documents allegedly showing they had accepted a commission for the printing of Thai banknotes . . .

"I got to the office and began phoning the L.A. airport. I managed to catch Bill just as he was about to board the plane. I read the item to him. He cancelled his flight and returned to New York. He decided *someone* had to go to Bangkok to see how bad things were. Obviously, *he* couldn't so he asked me if I would mind taking a summer

vacation in Bangkok. In June I flew out to find out just how serious the situation was. I got in touch with a brother of Suchit's. Between his long bouts of tears, he told me how terrible the prison conditions were. I phoned Bill and spoke very guardedly—I was pretty sure no one knew I was Hunt's secretary—but still you couldn't take chances. Anyway, I told him the only thing was to get a lawyer for Suchit. Bill hired a law firm in New York, which took on the best Bangkok lawyers to defend Suchit."

On December 28, 1961, Chote and Suchit were found not guilty of "malfeasance in office" by the Criminal Court's three judges who rendered an unanimous verdict. Chote, the court ruled, had full power to enter into a banknote contract with Hunt. Still, there were the suggestive cables and frequent references to "commissions".

> If there was a commission payment it could not be traced who received the money. No evidence can be found of correspondence between Mr. Weber and the Defendants. There was only what Miss Ida Zetoon verbally maintained—that she had typed letters for Mr. Weber. . .to Chote.

The judges also decided that the contract with Security-Columbian and the Bank of Thailand was a better one than the previous agreement with De La Rue. And as far as making advance payment of $660,000, that too was in accord with normal practice: in previous contracts De La Rue had received sizable advance payments.

Still, the Bank of Thailand didn't ask Security-Columbian to go ahead with the banknote order. Instead, it went back to De La Rue—and forfeited the $660,000 already paid out. But the Great Unpleasantness had a lasting effect. In 1969, Thailand opened its own banknote-making plant, utilizing some $15 million worth of De La Rue-Giori equipment.

I talked to Hunt in 1962 shortly after the Bangkok bustup. He seemed fairly serene about the scandal. "Anytime they want the notes we're ready to apply the $660,000 deposit. Until then, we're going to hold the money."

What did hurt Hunt badly was the great embarrassment in Copenhagen in August, 1961. Every four years Interpol (International Criminal Police Organization) holds a three-day conference devoted exclusively to combatting counterfeiters. Naturally the meetings also attract banknote company executives who are allowed to attend as observers.

The gatherings are not open to the public—counterfeiters would

learn too much—but condensed versions of what took place at each session are mimeographed for the invited attendees. Late in the morning of August 30, 1961 in Copenhagen, the summary version says the following took place:

> Mr. LAFORTEZA (Philippines) mentioned the case of countries like the Philippines, which were obliged to have their money printed in another country. He hoped that the conference would also consider this problem, which raised very serious problems for some countries. The Philippines had had some very unpleasant experiences in this way. He mentioned that Thailand had had similar difficulties.

I asked Interpol headquarters in Paris if I could get copies of the full transcript of the meetings. Turned out there weren't any; the full speeches were not recorded, merely summarized. Unfortunately, Laforteza no longer seemed to be connected with the Filipino police of his country's national bank. Then an old writer-friend, Beth Day—who was married to Carlos Romulo, the Filipino Foreign Minister—did some checking for me and located Mr. A. C. Laforteza. He wrote me in copious detail. Yes, he said, there was a recording of his full talk. Alas, "It is still in the Intelligence Safe of the Central Bank of the Philippines. Unfortunately, the combination of the safe was lost by the Cashier, and up to now the safe is still unopened."

What happened, Mr. Laforteza wrote, was that in 1960 when he was Chief of Intelligence of the Central Bank in Manila, he was given the assignment "to screen all foreign companies" who had bid on Philippine banknote tenders. Then:

> . . .the late Mayor Arsenio Lacson of Manila tipped me that one Senator and two Congressmen (of the Philippines) had approached him and recommended strongly to back up the offer of Mr. William (Bill) Hunt, president of Security-Columbian of U.S.A. He became suspicious as one of the two Congressmen had hinted that a cash donation from Mr. Hunt can be expected if his offer to the Central Bank is accepted. That started me to hunt for Mr. Hunt.

He got a tip that Hunt was in Bangkok where he had sold a large banknote issue to that country. He got permission to go to Thailand.

The trip wasn't just a vacation jaunt for Mr. Laforteza. He put his skills at the disposal of the Thai police:

> As a former employe of the Mackay Radio & Telegraph Company who rose from a mere clerk to that of a Commercial

> Representative, I am knowledgeable to the workings of radio operators and how to get flashback information on messages that passed through. . . With the Thailand Police making the contact and research, they succeeded to extract one important telegram sent by Hunt to his company detailing the amount of cash he had to give the Finance Minister.

After the arrest of the Minister and his secretary, Laforteza returned to Manila, informed his boss, Bank Governor Miguel Cuaderno, and the latter refused to accept a banknote-printing bid by Bill Hunt . . . Then a year later, in Copenhagen, where Laforteza had been sent as representative of the Central Bank of the Philippines, he got a great shock:

> On the first day of the General Assembly, I saw Mr. Bill Hunt in attendance. I was amazed by his boldness to be present in such a prestigious convention after his Thailand debacle. I requested the SECRETARIAT to allow me to have the floor to warn the members on a very important and urgent matter.

It was an unusual request, and he had an alert, very stilled audience. He felt it was his solemn duty to alert them to the presence of a person who is

> . . . a grave security risk to the very subject of security-currency printing. I was careful in not naming the person involved. . .Nevertheless, by process of elimination in a manner of stating that the company I was referring to is not the American Bank Note Co., not the Thomas De La Rue Co. Ltd of London, etc etc. By not clearing the name of Security Columbian it is obvious that the members spotted him without giving out his name.

Laforteza went on to explain what happened in Bangkok. He warned that "The person in question" was now actively bidding for the banknote work of two South American countries. He urged those country's representatives to see him in private after the session so that they could be guided in their future dealings with him.

> In conclusion I stated that if the person I alluded to does not take my hint to make a gracious exit from the conference I shall be forced to . . . charge him officially and request the Secretariat to oust him from the conference for security reasons. Mr. Bill Hunt took my insinuation and . . . left for good. That was the last time I saw him.

* * * *

The Sixties had their compensations for Hunt, in spite of the Bangkok blowup and the humiliation in Copenhagen. His third marriage had produced four children: William Peter Hunt, Jr., Kathleen, and twins, Craig and Quentin. The latter was named after Cornelius Roosevelt's brother who had been killed in a 1949 air crash in Hong Kong.

The Hunt family had a large home in New Canaan.

Rosemary Menzies recalled her boss's day-to-day office life: "I had to keep a notebook of what every one of his visitors drank so they'd be served without asking. He'd smoke two-three packs a day. About three drinks at luncheon and about the same or more at dinner. About seven or eight cups of black coffee, sugar, a day. He loved flowers. Raised prize-winning tulips and roses. Any Security-Columbian employe got sick, right away he'd get a yard of flowers sent to home or hospital. And always lavish entertaining for foreign dignitaries who came to New York. He ran up enormous entertainment tabs."

But banknote-selling, his prime joy, wasn't getting any easier. One man who came across Hunt's trail often in the early Sixties was Werner Muller who is now vice-president of De La Rue Giori in Lausanne.

"In the early Sixties Hunt came out to what used to be French Indo-China and now is Viet Nam, Cambodia, and Laos. I was the local agent for De La Rue, so our tracks kept crossing. Our bids were always lower, but he managed to get a trickle. For example, there was a big Viet Nam order. Viet Nam was then ordering 500-600 million notes a year. For various reasons, it was divided so that DLR got half, Bradbury, Wilkinson got a fourth, and Hunt got the final fourth. The story was that he got it through a bribe to Mme. Nhu. Quite possible, although there may have been political considerations, too. Then, in a bid for Laos notes, we got three-fourths and he was given a fourth again. But by then nothing was going right for him. The notes he did for Laos were counterfeited by the Pathet Lao and he got a lot of complaints from the Laos central bank. Pretty much finished him in that area."

(Fortunately, Hunt had managed his U. S. work orders much better. For many years, Security-Columbian seemed to have a lock on just about every major domestic housing bond issued.)

The end came for Hunt on April 16, 1966. He had a heart attack at his New Canaan home and was rushed to a New Haven hospital,

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where he died of an aneurysm.

The obits were long and respectful. The *New York Times* gave him a full column: WILLIAM P. HUNT IS DEAD AT 60; WAS INFLUENTIAL TRADER IN CHINA.

"All the papers, of course, got his age wrong," Rosemarie Manzies says. "You couldn't blame them. The canned bio material said he was 60. He was 65. What happened was that he deliberately made himself younger in the records so that the corporation couldn't kick him out at the compulsory retirement age of 65. But it led to a lot of office complications. Every now and then he'd shout across his office to mine: 'Rosemarie, when was I born, 1905 or 1906? Of course, it was 1900."

She had talked to the specialist who had attended Hunt in the last hours. "The doctor kept asking me how old was he, really. I knew it didn't matter by then, so I told him Bill was 65. He said, well, that's a little better. I asked what he meant. He said that Bill had the worn-out inner organs of a man of 75 or 80."

There was a solemn requiem mass at St. Patrick's Cathedral in New York. The place was filled. An old friend of Hunt's, who attended, says: "I knew Bill had been baptized a Catholic but he didn't take religion too seriously. I think someone in his third wife's family was friendly with Cardinal Spellman. It was a very impressive ceremony."

For a man who had earned so many millions in his lifetime, he died comparatively broke. "No money to speak of," Rosemarie recalls. "But he had been living very high from 1942 onward." His wife collected on a $250,000 company life insurance policy, and the firm made a contribution of $200,000 to the widow who was left with four young children. She has since remarried to an executive of Union Carbide and still lives in New Canaan.

A year before Hunt died, his firm became United States Banknote Corporation, which is its present name. This was another merger in which Lanston Industries, manufacturers of graphic art machinery and "Monotype" equipment, was absorbed. Turned out to be a big mistake. More mistakes followed. Kenneth W. Smith succeeded Hunt; he used to live near Hunt in Connecticut and would drive the boss back and forth to the office. But Smith, who had been a successful Bible salesman—and was a graduate of Harvard Business School—decided that he didn't want to be head of "a little printing company." The answer, he was certain, lay in great diversification.

U. S. Banknote spent nearly a million dollars on a patented shoe mitt that was supposed to provide "perpetual shoeshines." That was followed by another disastrous venture: electronic thermometers. Each venture was carried capitalized on the books as if they were successful, going operations. Finally, the firm's accountants protested and insisted on issuing a "qualified statement," a run-for-the-hills warning to any alert stock analyst. Eventually, the losses on the ventures came to $6 million. In July, 1976, U. S. Banknote was taken over by GIT Industries, a conglomerate.

For five years the firm was run by Daniel B. Burns, an attorney and older brother of a former Security-Columbian director, Brian Burns. (In Feb. 1981, Dan Burns left U. S. Banknote for a top executive post with a leading financial printer, Pandick Press.)

Dan Burns is 48, thin and bald. He was with Ted Kennedy at the Fessenden School and later at Virginia Law School. They're still close friends. Burns has a summer place at Cape Cod.

He made it clear that the old glamorous foreign-banknote days were long over. "El Salvador was our last money-printing contract; 1973-74. Lost our shirt on the job because we simply didn't have the necessary equipment. American Bank Note can beat us out every time. They have much better equipment but our labor rates, particularly in our Philadelphia plant, are a bit lower.

"Our product today is about $10 million a year in corporate securities (Ford, Chrysler; all the airlines; Mobil), about $5 million in municipal bonds, and $5 million in food stamps. We have only a small piece of that, of course. American Bank Note has the bulk of it."

He thinks that corporate securities may have peaked as a production item. "They've got this Depository Trust, CEDE, here which handles corporate securities as a clearinghouse for brokerage firms and banks. They eliminate the need for as many stock certificates as in the past. Why, in 1979, on just one of their special programs they eliminated the need for some 1¼ million stock certificates.

"Obviously, they're going to get bigger. So what do we do instead? You look around for customers who need security printing, but don't know it. Take Macy's. Used to do their gift certificates on litho presses. Naturally, if any offset printers in Queens can duplicate those certificates, you're going to have tremendous losses. They did. So now we do their certificates in fine, raised surface intaglio with a security scrambled image on the back, and it only costs them less

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than a cent each and there are very few losses. Did the same for Sheraton Hotels' gift certificates. Imagine turning out $50 and $100 gift certificates on offset!

"What else? We're doing a lot of the New York State $10 lottery tickets; also auto-title documents, as well as birth and death certificates. We'll try anything that calls for intaglio printing. One fund-raiser came to us with an idea: he was going to use intaglio-printed return envelopes. God knows what his reasoning was on this. Anyway, his intaglio envelopes cost twice as much as the ordinary ones. Funny thing is, he doubled his new return as a result."

Being a small operation—they have 126 employes in their Chicago plant and 269 in their two Philadelphia plants, plus some 20 employes in their New York headquarters—U. S. Banknote gets more "folksy" orders than American Bank Note, Burns thinks. "Little outfits growing up and needing first-class stock certificates. When Entenmann's Bakery went public, they wanted Ma Entenmann's vignette on the certificate. Came to $24,000. One of the directors said, for that they could have gotten a first-class oil painting. Yes, I said, but there's nothing like a first-class engraving on a fine intaglio stock certificate. It costs. Another time, a corporation president wanted the vignette of his wife on the stock certificate. We did the engraving for $20,000. Lovely job. Two months later she ran off with another man. He really wanted to change the certificate but his pride wouldn't let him. Besides, he had a $20,000 investment in that engraved vignette. I wonder what the hell he thinks every time he looks at that stock certificate?

"Miss the banknote business? Hell, we can't afford it. Just a big, romantic headache for a firm our size."

* * * *

She's now June Mayer. She has a small second-floor apartment in an upper East Side elevator building. Her hair is curly dark brown and she obviously battles weight. Her glory is a remarkable profile. The resemblances are striking: no question that she is Bill Hunt's daughter.

She's 52 and a professional actress. Most recently she was in Ibsen's "When the Dead Awaken," in which she played Irene, an artist's model who Returns for Vengeance. It got weak notices and died. Fortunately, she doesn't depend on stage or TV-commercial earnings. She is the beneficiary of a trust fund established by her third husband, Chester Mayer, who had founded Air Express Interna-

tional.

I mention the coincidence that she and her father were both married three times. "There was an even funnier coincidence," she recalls. "In 1956 I was playing in 'Eugenia' with Talullah Bankhead. Based on a Henry James novella. In it, I'm a bitchy Bostonian whose father had gotten rich in the *China* trade. More. I'm also dead set against Talullah's marriage to my stage father. As it happened, that year my father got married for the third time to a former Miss Connecticut. You could work out enough analogies to keep a Saturday conference of psychoanalysts going."

At one point while checking-out some Hunt family details, I mentioned it was interesting her father first married a woman five years older than he was. June was genuinely surprised. "I didn't know that; are you *sure*?" I said I had gotten it from her mother. June laughed. "I don't know why I'm so surprised. We all lied so much in the family about ages; no one knows how old anyone is. Like my father dying at 60, according to the papers, when we all know that he was 65."

He was also a very jealous man, she went on. "Of all his wives. Typical of a philanderer, I suppose." She hadn't known the former Lady Inverchapel but had heard much about the friendship. I promised to let her know when I found out what happened to the Lady.

Shortly after her brief saleslady stint at Bergdorf's in 1953, Lady Inverchapel married a wealthy, retired chemical manufacturer, Ross C. Treseder. Again, her husband was considerably older than she. After a few years in New York, the couple moved to La Jolla. Late in 1978, Treseder, who was in his mid-eighties, became too frail and had to be moved to a nursing home. The La Jolla apartment was closed and Mrs. Treseder moved back to her hometown, Santiago, Chile, where she had numerous relatives. I'd written her and had a local friend phone her, but she resolutely refuses to discuss the past, the strange life of a lovely 18-year-old Chilean who stunned the country when she married the 47-year-old British Ambassador, a homosexual. Many a best-selling modern Gothic romance has gotten underway with less promising materials.

The Great Rivals

Your worst enemy is always a man of your own trade—Spanish proverb

American Bank Note was glad to see the last of the Seventies, an all-around terrible time. It was the decade in which ABN lost its most important customer, Mexico, for good. It was also the shameful decade when ABN, proud maker of stock certificates for America's corporate giants, became a pitiful, even despised item on the American Stock Exchange, where it was listed under the name of its new parent concern, International Banknote.

In August and September of 1974 the stock had fallen to a disgraceful 25¢ a share and all of the 11 million shares could have been acquired for less than $3 million, even though the company's total assets that year were valued at $28 million.

There were other problems, too. It was the decade in which the weakened firm was made smaller. Bradbury, Wilkinson, the British subsidiary, sold its profitable 25% in the South African government banknote plant which BW had helped set up decades before. And in 1979 American Bank Note sold its 40% remaining interest in the Canadian Bank Note Company which had been printing half of Canada's currency.

At the end of the decade disgruntled stockholders were still wondering when dividends, unpaid since 1962, would be resumed. The optimists among them could console themselves in late December, 1979, that since the terrible days of 1974 the stock had risen from 25¢ to $2.75, an 1100% rise.

Still the unhappy stockholders did get a little excitement in 1979. There had been a brief surge of heavy stock buying and the depressed shares rose somewhat. The rumor got around that the Mafia was buying into International Banknote with who knows what nefarious intent. Some stockholders were sorry it was only a rumor. But it did get the stock *some* attention.

The end of the doleful decade saw the top officers of International Banknote haled before a U. S. Senate Subcommittee asking pointed questions. Why was ABN making such high profits on its contracts for U.S. food stamps? Why were the intaglio presses ABN sold to the Bureau of Engraving operating so poorly? And, above all, what were the real reasons that ABN enticed away James Conlon, the director of the Bureau of Engraving, with an $85,000 a year job? Late in the hearings the head of International Banknote, Edward H. Weitzen, admitted to the Senators that "perhaps not all of our decisions were that correct or intelligent in hindsight". Yet at the end of 1979 American Bank Note was a thriving concern which had $106 million worth of sales in 1978 and had earned $4,715,000 profit. Not great, not even adequate, but still a profit. The company had 12,000 stockholders and 3,000 employes. It had its old huge, fortress-like plant in the Bronx—which natives still called The Banknote—and newer plants in Great Britain, controlled by Bradbury, Wilkinson, the ABN subsidiary. And BW had just concluded a deal with New Zealand for the construction of a banknote plant at Whangarei, to turn out that country's currency needs.

If the best revenge was living well the old ABN rival, Thomas De La Rue of London was thriving. The Seventies, all in all, had been the best decade the Delaruvians ever had. The firm had run up nearly a quarter of a billion dollars in gross sales for the year ending March 31, 1979—and had a net of some $40 million. De La Rue had 9300 employes, three times that of ABN.

For De La Rue there were increasing profits from its partnership with Giori; from its takeover of Crosfield Electronics which had become an important producer of cash handling machinery and of Magnascan, an electronic machine for color print production. And DLR's 10,400 stockholders could count on steady if unspectacular dividends.

To emphasize its considerable growth DLR moved to a new London headquarters, a squat, heavily-glassed, block-long six-story structure in W.1, the heart of fashionable London. There were also

new plants in Malta—turning out increasing amounts of notes for Africa and the Near East—and a plant in Dublin. DLR's older plants in Colombia and Brazil were also turning in comfortable profits.

And to round out the sharp contrasts between the rivals: even while the Americans were undergoing so much annoying questioning by a Senate subcommittee, De La Rue was being honored again with another Queen's Award for Industry, its eighth such, given primarily for profitable exporting.

The awards and the rosy glow of its new prosperity had almost wiped out memories of the Great Terror of '69 when the Rank Organization of Great Britain, grown fat and impudent with its zillions garnered from exclusive sales of the great American cloner, the Xerox machine, in Britain and Europe, had come within a banknote's thickness of taking over Thomas De La Rue. Only a last minute Stop! by the Monopolies Commission marines had saved the venerable banknote firm from an unwilling takeover. Most DLR stockholders, offered nearly twice the market price for their shares by Rank were disappointed.

* * * *

For American Bank Note, 1969 had also been a watershed year. But nothing could have saved them from the costly fact that its best customer, Mexico, had its own banknote plant. Without ABN assistance.

The galling contrast with the prosperous De La Rue at the end of 1979 did have one consoling note—*schadenfreude* , if you will. The advent of Ayatollah Khomeini in Iran had placed in considerable jeopardy the uncompleted De La Rue-Giori banknote plant in Teheran. And the fact that the plant Bradbury, Wilkinson was erecting for New Zealand was depriving De La Rue of an old, great customer.

Of course a good deal of the DLR profits had been engendered by non-currency work, such as electronics and a security-transport firm, Security Express. Still, DLR did have $183 million in sales of banknotes, stamps, stock and bond certificates on which it made some $30 million in profit. In short they did 58% more security printing than their old American rival—and had more than six times their gross profit.

As International Banknote's head, Ed Weitzen, told the Senate committee in May, 1979:

We compete worldwide for currency printing with one com-

pany in the world primarily. That company is Thomas De La Rue. . . a real competition.

* * * *

The "real competition" is Peter Francis Orchard, Chief Executive of the De La Rue firm since 1977. We are talking in his splendid corner office in the new company building at 3 Burlington Gardens, London. He is about six feet tall and at 54 has become fairly beefy, the ex-athlete—rugby—run to paunch. He's a chain smoker. His florid face is heavily veined and his watery-blue eyes dart at you over half-glasses. The suiting is very dark,even black, so that the heavy gold Rolex and the sizable gold cuff links seem more glittering.

He warns me under his management the firm has retreated from a "comparative openness" which previous administrations fostered. They used to publish lists of all the countries for which DLR printed currency and postage stamps. That's out now. "We have a duty to our customers to say nothing about them." (But often in large companies one department may not know of the other's Index of Forbidden Topics. Among the current 55 DLR customers are Angola, Bolivia, Dominican Republic, Ghana, Iran, Jordan, Kuwait, Malaysia, Malta, Mozambique, New Zealand, Portugal, Seychelles, Singapore, Solomon Islands, Tanzania, Trinidad & Tobago, Zambia.)

Orchard lights up another cigarette and his face softens a bit. "The PR side of this business must be the most frustrating job in the world. Every other British firm gets a new £5 million export order and right away there's a fancy press release and a luncheon press conference. We can't operate that way—Still, I can say we do two-thirds of the world's available banknote market."

I said that didn't quite jibe with what American Bank Note told me: they claimed at least 40% of the world market. Orchard shrugged: "Ah, old Alphabet has its version and we have ours." Alphabet? "Our code name for American Bank Note. And we call their subsidiary, Bradbury Wilkinson, "Surrey". Yes, he knew all about the Bradbury codebook designation of his firm as "Streetwalker". (What else do you call someone who is traipsing down De La Rue?)

About 40 countries—out of 170 in the world —now had their own banknote printing works. he said. The largest nations as well as Pakistan, Nigeria—DLR has a 25% interest in that plant—Philippines, Eire, Thailand, Morocco, Brazil, Colombia, Argentina, Mexico, North and South Korea, Taiwan, Iran, Indonesia, Egypt

and South Africa. And if any new ones join the list they would almost certainly have to turn to De La Rue-Giori for their basic equipment.

In the old days British law used to require the printer to put his name on everything he printed, even banknotes. "But that's out now. Anonymity has grown, probably an expression of increasing nationalism. Once upon a time they'd boast, 'And, of course, De La Rue does our banknotes'. Now they just don't want anyone to know they don't do it themselves. Which is another reason we don't publish lists of our customers. Yes, that tiny cachet at the bottom of the note or stamp was a nice bit of advertising but today, really, we don't give a damn. . .Postage stamps! We're not *label* printers. We do them only when the price is right and it isn't very often today."

He's married, has four children—15 to 23—and he's been with De La Rue 32 years, having joined them when he was fresh out of Magdalene College, Cambridge University. Before the University he was in the British Army rising from private to captain.

He attended Magdalene College on a scholarship and won one of the top academic honors on graduation: he got 1st Class Honors in Classical Tripos which meant he was the No. 1 man in his class in Greek and Latin studies.

"That's a degree that means something; perhaps a first in maths, also but all the rest. . ." He dismissed the other academic studies with a wave.

He came to De La Rue because the Cambridge appointments board recommended an opening with something called De La Rue. "I never heard of the firm and properly asked what do they do? The appointments man wasn't too sure, either. 'Well, they seem to make playing cards or something. . ." Knowing the way writers can remember the wrong trivia, Orchard quickly added: "And do put down that we've been out of playing cards 20 years."

He rose steadily in the banknote division and in 1959 he was sent to head the De La Rue plant in Brazil. He was there eighteen months and learned Portuguese. He also speaks French "and when I've had a few, Spanish."

But his limericks are only in English. "I love them. They have three attractive qualities. They're anglo-saxon, they're masculine and they're upper class. The French and Germans don't bother with them and the women don't like them. I suppose it's a slightly intellectual disease. When I was younger I used to try them first on my wife and the typical reaction would be: 'That's not very funny', or, more

likely, 'That's rather disgusting'. Well, I no longer try them on her, not since the last time we were in the Lipari Islands on vacation and I tried one out, 'There was a young man of Lipari. . . it had a certain elegance but it was fascinatingly filthy, I must say." He would not provide the other four lines.

I asked about the increasing competition Giesecke & Devrient was providing in the banknote world. He grimaced faintly. "Otto, that SS Panzer colonel. . .keep in mind that the Germans are great in planning, in meticulous execution. . .they just bowl you over and start making you fearful until the very end when you find out that they've neglected the small key item. . ."

He broke off. "A word about our competitors: we treat each with respect, justifiably. . .but," broad smile, "we've also driven them off the face of the bloody earth in the banknote race." (Not quite but De La Rue is still working at it. In 1981 when Portugal, an old Enschede customer, asked for bids on 70 million banknotes there were four offers. De La Rue won it easily with a remarkable bid 30% lower than any other: about 2¢ a note. One loser sour-graped: "They'll lose on the deal, of course, but they can say they've added another scalp to their belt.")

Back in the 50s and 60s, before Orchard took charge, "we just spread too far. Too many risks taken, too many remote sidelines. Our little invasion of your States in the late 50s cost us a packet. We finally sold the Philadelphia plant to U.S. Banknote in 1973. I hope it gives them more joy than it did us."

(Another American sideline, Formica, had turned out to be even costlier. Originally De La Rue had picked up the plastics operation for Europe from American Cyanimid in 1957 when it seemed as if the banknote business was heading for a decline. Things went well and the Formica profits indeed sustained De La Rue for several lean years. From 1974 onward, however, Formica ran into trouble and De La Rue had to borrow heavily to support the division which incurred multi-million dollar losses. In March, 1977, De La Rue sold its 60% share in Formica International back to American Cyanimid for $16.3 million.)

Cash, banknotes, had its enemies out there, Orchard admitted, but "you will not succeed in knocking out the private citizen's desire to control his own cash. Money is great; it's also unrecorded. The banknote is still the most efficient means of transaction invented. It will be around a long time you can be sure."

Still, for people in the trade there was sometimes an uncomfortable kind of double vision. "I fly out to visit our new plant in Malta. When we land I convert my British travellers cheques, our beautiful travellers cheques, into Maltese notes. They hand me the stuff and if anyone is observing me closely I'm sure he'll think I've just detected a terrible smell. Involuntary reaction, of course. Here, I'm turning over my good, hard-earned travellers cheques for the local junk, the notes we make in our plant. . .the stuff I've seen by the truckload. I know it's irrational but I must admit it doesn't seem like a fair exchange."

Orchard earns £30,000 a year (about $50,000) but—and the De La Rue annual report makes a big point of this—after taxes his take home pay is only £13,000 or $21,000 which seems remarkably little for someone in charge of an enterprise the size of De La Rue. Still, the take-home pay doesn't include lots of traditional British executive perks: heavy entertainment allowances; the use of a chauffered Rolls—De La Rue Green, of course—club memberships and various other untaxed corporate benefices that helped British businessmen survive the long drought of a Labor government.

I saved for last the question: how many banknotes did DLR turn out a year? Orchard said I could guess all I wanted. Well, the best outside estimate is that DLR can do and often does up to 4.1 billion notes a year. The Dublin plant can do 650 million; the smaller one at Dunstable about 250 million and the main one at Gateshead some 2 billion. The newest Malta operation can turn out up to 900 million. One former DLR executive I talked to thought that in 1977 the firm had attained a special 4.2 billion production record but had included a special order of 500 million notes for Bangladesh done by the much less expensive lithography process.

Later that day in another part of London I lunched with a retired banknote executive. At different times in his career he had jousted with De La Rue. He thought that the "great ruthless time" of Bernard Westall— until 1963—was considerably modified. "Westall was brutal and direct if necessary but first he always went the soft route: lots of generous entertainment, gifts, Riviera vacations. If that didn't work, he got rough."

He recalled right after World War II, Westall turned the brutal face to Enschede, the venerable Dutch banknote firm which had barely managed to survive the war. Westall told them that De La Rue wanted to buy them out. The Enschede family wasn't interested. Then Westall, "turned ugly. 'You say no, it's gloves off. We'll go after

every one of your accounts and undercut you'. The only thing that saved obstinate Enschede was that the Dutch government turned to it for an enormous number of national rationing coupons and new bank notes."

Westall who died in 1970 was a fascinatingly complex character, my informant went on. "A great gamesman, literally. Wrote the 'Book of Indoor Games' and 'The Complete Book of Card Games'. De La Rue was still big in playing cards then. Westall also became the first president of the English Bridge Union. He gambled at the card table and at the executive desk and since he was successful at least 51% of the time we label him a winner."

The other memorable De La Rue face in Westall's time, he went on, was the fabulous series of annual De La Rue dinners—begun in 1932—at the Dorchester. "Always a proper white tie affair and you had the top people of the diplomatic community as well as the top London bank and business community. Often as not, the Prime Minister and one or two Royals. If you were invited you knew you had arrived solidly in London. The gifts for each guest were truly individual; the kind you might expect from a thoughtful Maecenas. One time each guest—and there were hundreds, mind you—found at his plate a box with golden cuff links—*already engraved with his initials*." (My friend showed me his pair.) "Another time the gift seemed disappointing: an ordinary DLR deck of cards. Perfectly nice, but really—until you looked at the Ace of Spades. On it was your own photo. Can you imagine the detail work necessary to make certain the right picture appeared on the right deck and was given to the right guest on dinner night?"

De La Rue also had a school-boyish sense of humor in those days, he went on. One dinner night each guest found a well-wrapped gift box near his dinner plate. They were asked not to open the boxes until further notice. Everyone kept looking at the boxes, rattling them, exchanging guesses and so on. Then at exactly 10:30 p.m. there was an incredible sudden clanging all over the Dorchester ballroom: hundreds of travelling alarm clocks had gone off simultaneously in their boxes. "You've just had your further notice," the dinner chairman said.

Usually the Bishop of Ripon would deliver the invocation at the De La Rue dinners. "Somehow he always got a look at the dinner menu and wines in advance. Veteran dinner guests knew the Bishop was a gourmet and he always managed to give them an advance code

message as to the quality of the dinner that lay ahead. The code came in his pre-dinner invocation. If he referred to "O, Bountiful Creator' you knew you were in for a really memorable dinner. But if invoked 'O, merciful Lord' that was a tipoff it was going to be less than great." The DLR dinners ended a few years ago.

The former banknote executive went on to point out that in 1969 De La Rue could turn out about 1.6 billion notes a year and that it had more than doubled its production capacities in the following decade.

With that kind of sharp increase you are due for trouble, he said. You hear things. They're getting more complaints from some old customers. The notes have been run through too quickly. The engravings aren't deep enough on the plates. Not enough ink is being used. They're missing delivery dates. Complaints about inspections being a bit sloppy.

"I don't know if the complaints are justified or not but the fact is there do seem to be more of them in the whispering galleries of the banknote world. Still you have to bear in mind that the banknote customers, the central banks, are also capable of strange stupidities for which they sometimes try to lumber the note makers."

In 1970 Portugal ordered 50 million notes from its then supplier, Enschede. As usual with Portugal, the notes were to be numbered and signed in Lisbon, a typical means of insuring the notes en route would have little attraction for criminals. When the notes were being numbered in Lisbon a terrible series of mistakes ensued so that the Bank of Portugal had to destroy the entire order. An expensive $2 million mistake. But since they *needed* the new notes they gave their supplier a repeat order and this time the bank got numbering done properly.

The true worth of a banknote man, my luncheon companion went on, comes during the inevitable flaps: sudden changes of government, banished heads of state, the usual miserable *bouleversements* . He thought that De La Rue had, all in all, handled their Iranian flap quite well."I happened to be in their offices the day they got word the Shah was leaving Iran. Modified pandemonium. What is your American idiom? Yes, Panicsville. Do they stop the banknote runs under way at the Malta plant or not? What to do? Well, they decided to keep the presses going. Just as well. When the Ayatollah came to power the decision was made not to destroy the existing notes of Bank Markazi Iran with the Shah's

portrait. Instead they decided to run through all the unused notes in stock with a heavy overprint on the Shah's face, of a revolutionary slogan in Farsi script. Saved the Iranians the cost of a total note recall and got the Delaruvians out of a hole."

In Nicaragua, he went on, the revolutionaries weren't as accomodating. They simply withdrew all the 20 cordoba notes (worth $2) and the 1000 cordobas ($100) because they bore pictures of the hated Somozas. "Now if De La Rue can keep that old account, why that would be truly splendid selling."

He knew several De La Rue salesmen and felt that they were very good even if they sometimes had to promise more than they could deliver on schedule. He recalled that it was a DLR salesman who was about to get the first banknote order for the newly independent state of Angola when it won its freedom from Portugal on Nov. 11, 1975. But a few months later the Marxist Popular Movement led by Neto won effective control of the country. The DLR salesman stayed on and earned his keep: he persuaded the revolutionaries to take over the contract the former government had been about to sign. That, my friend said, was true salesmanship.

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It is a sparkling I-love-New York June morning and the 1979 annual meeting of International Banknote stockholders is under way in the Madison Room of the Roosevelt Hotel. The large chamber is filled with 100 stockholders and most of the brass of International and American Bank Note, plus a few corporate attorneys. At the back of the room there is a large coffee urn and water pitchers. No pampering of stockholders as some American corporations like to do by providing samples of the firm's products.

The meeting has a certain cachet because it has brought out Lewis Gilbert, a gentleman of independent means who has made himself and his brother, John J., the watchdogs of American stockholders. The Gilberts and their voluntary associates in Corporate Democracy, Inc., attend several hundred meetings every year.

Lewis Gilbert has the floor and asks about the company's aggregate expense account of top officers. Edward J. Weitzen, in the chair, replies that it comes to a modest $40,000 a year only. "We don't have any yachts, hunting lodges or airplanes," he says with a tiny smile. In the rear a shout is heard: "Maybe that's your problem". There are some laughs and a scattering of applause.

Most of the stockholders present are male and their median age is

probably the low Fifties. The man sitting next to me is about 55, a small businessman. He says he bought the stock at 5 and it was now 3⅛. "Not so hot. I came to find out if I should sell and take my loss."

The news he hears is encouraging. The first four months of 1979 brought $43 million in sales and nearly $2 million in earnings, after taxes. "We also received $3½ million in April for the sale of our interest in Canadian Bank Note." Nearly all of that will go to pay off the large loans the company made from the Mellon Bank of Pittsburgh.

Weitzen goes on with the good news. "We've managed to maintain our share of markets worldwide—our steady and successful growth in the past ten years." Bradbury, Wilkinson, their British subsidiary has a new plant in Saltash, England. Its Aeroprint division, making airline tickets, doubled its sales in 1978. "We're still the leading company in the manufacture of travellers cheques worldwide". For the first time in many years ABN got a postage stamp order from the U. S. for four commemoratives. "It shows that certain government agencies are willing to turn to the private sector."

But the same government also provides problems. "There are many U.S. government investigations that occupy a lot of our time. . ." Elsewhere "there are complete changes of governments which result in customers lost as well as new customers gained. I should point out that Iran has not been our customer for eight years and Nicaragua hasn't been for fourteen years." De La Rue isn't mentioned. By now the stockholders know the identity of the Great Rival.

A stockholder asks what would happen if the stock market became all computerized, if all stock certificates vanished. Weitzen is sure most people will still want to have physical possession of their certificates. Still the firm's volume of stocks and bonds are only 15-18% of the total.

Why, asks another, are there still two companies: International and American Bank Note? Turns out tax factors make it worthwhile.

Finally a gushing congratulation from an old stockholder, a Mr. Episcopo. He found chairman, Mr. Weitzen, "really wonderful. "I buy International Banknote stock for my grandchildren. I have already bought 5000 shares."

The stockholder next to me snickered. "His grandchildren can wait. I can't."

* * * *

At the May, 1981 stockholders meeting there is greater optimism.

International Banknote has been a featured high-volume performer on the American Stock Exchange for many months and now it is hovering at the $7 mark. Turns out the stock has been bought heavily by two prominent Wall Streeters. Gerald Tsai, Jr. has bought a million shares through his insurance concern, Associated Madison. Arnold Bernhard & Co., publishers of Value Line, a widely-read stock rating newsletter, had acquired nearly 10% of International's stock.

But by August, 1982 the news is much less cheerful. Tsai has sold his shares and the stock is now down to $4. It didn't help that International was being sued for $10 million by the Federal National Mortgage Association, a government-sponsored firm. "Fanny Mae" was suing because the wrong denomination coupons were appended to its bonds. Coupons with a face value of $360.49 were mistakenly printed as $3,604.86, $2625 or even $18,125, a terrible 5000% mistake. Banks had paid out the wrong sums to bondholders who turned in the misprinted coupons and were repaid by Fanny Mae which was now suing International Banknote for its losses. The ten million was just a guess: nobody knew how many misprinted coupons were out there.

* * * *

The offices of International Banknote are on an upper floor of the recently regilded Grand Central Building in Manhattan, north of the narrow, old Greek revival headquarters of American Bank Note on Broad Street downtown and south of the huge old ABN plant in the south Bronx.

The large corner office is conventionally furnished; solid, dark, polished hardwoods and no flash furnishings. Ed Weitzen follows suit: muted plaid, blue button-down shirt, dark blue tie. He had a longish face, thinning hair and slightly popping eyes. He's about 5'11" and a pipe smoker. When he greets me he's handling a cane.

"I was a guest in a friend's power boat. We were doing 25 knots when we hit a hidden log. I went through the windshield and severed every tendon in my leg. I've had a few operations. They say the worst is over and I'm lucky to be alive. My wife came through with only minor injuries, thank God". Weitzen has been married 30 years and has three daughters.

He's been lucky in other ways, too, he says. His father was a men's clothing cutter and the family lived modestly in the Bronx. Edward was precocious and graduated from high school at 15. He got a

degree in business administration from City College and worked for an advertising agency until 1941 when he entered the Army. OCS made him an officer in the Quartermaster Corps and by the time he was 24 he was a Lieutenant-Colonel on the staff of General J.C.H. Lee, head of the Services of Supply for the European Theater of Operations in World War II. Lee was a spit-and-polish martinet who was considered Eisenhower's most efficient administrator then. He left a deep, abiding impression on Weitzen who was probably the youngest light colonel on Lee's staff. Friends acknowledge that "Ed runs a very, very tight ship".

After his discharge Weitzen worked for Bulova Watch as an "executive administrator" and then as president of Bulova's research and development labs. After ten years he went to the corporate finance department of Loeb, Rhoades. "What I was, was a work-out artist: the man who fixes sick companies. I was pretty fair at it.

"Some friends and I had a chance to take control of B.T.Babbitt, a minor conglomerate holding a lot of small, unrelated corporations. I deconglomerated it. We sold off some 200 divisions in 1968 and we bought 60% of American Bank Note from a brilliant man named Jacob Hain." Hain, a Pennsylvania Dutch investment doyen out of Reading, Pa. had bought control of American Bank Note in the early Sixties.

When B.T. Babbitt took control, American Bank Note was delisted from the New York Stock Exchange because it no longer had sufficient stockholders. Most of them elected to accept an exchange of stock—4 for 1 for B.T.B. Corporation which eventually became International Banknote, an existing but disused holding company in the American Bank Note structure.

Shortly after Weitzen and his group took control there was a severe downturn in the stock market and the economy. It was the beginning of International's many depressed years when the stock fell to 25¢ a share at one time.

"When we took over I didn't know much about American Bank Note except I was sure it had a lot of possibilities. Then I came in and the first thing you do is learn what really went on. How? You read the chairman's files closely going back ten, fifteen years. You find out what the problems were—and are. When I finished reading, I came to certain conclusions:

"1. It's not a printing business. It is a business of integrity, of trust. Your customers have to trust you with one of the most sensitive pro-

ducts on earth. There's no way you could start out today as a banknote maker from scratch. You need solid tradition and history behind you.

"2. The banknote business has been largely unchanged for 150 years or so. It would have to come into the 21st century to make it compatible with an electronic, automated world. It would have to spend a lot more on R&D than it ever had. We would have to make currency even more efficient than it was; and you have to make these changes slowly because in currency you don't change styles like neckties."

American Bank Note likes to trace its history back to 50 different companies and a colonial engraver named Robert Scot who worked in Philadelphia in 1795. Up to 1862 and the opening of the Federal Bureau of Engraving, ABN printed all U.S. currency.

Until 1912 ABN had a virtual monopoly on all stock certificates and bonds listed on the New York Stock Exchange. It also had great Wall Street connections, as well as the Street's then leading law firm, Sullivan & Cromwell. Later two of the firm's stalwarts, John Foster Dulles and Allen Dulles served as directors of American Bank Note.

Even in the terrible days of the early Thirties when a considerable portion of ABN's output was scrip for cities to replace the cash immobilized by the nationwide bank holiday, the firm maintained an admirable above-it-all attitude. In a long article, the new Fortune magazine accepted the company's rhetoric for reality:

> American maintains no sales department as such but has its representatives in U.S. business centers and also in foreign lands. And what with the overshadowing American reputation. . .many an order goes American's way without anything in the nature of a vulgar competitive struggle.

It was hardly true then, either. Still, the article's lead had been a quote from ABN's president: "I've heard it said that the greatest asset of this company is its mystery."

After World War II most of the "mystery" had long vanished and ABN's time of troubles began seriously. First came the great loss of the China banknote cascade in 1949. Then Europe's devalued currencies enabled European firms, particularly De La Rue, to outbid American all over the world. The loss of Cuba in 1951 was another body blow.

The great bull market that commenced in the mid-Fifties revived the firm's fortunes considerably. New issues, mergers, stock splits, all

called for ABN intaglio press runs. In 1963 alone ABN turned out 25 million stock certificates, 7½ million bonds, corporate checks for 2000 of the nation's largest firms and postage stamps for 65 countries. And currency for more than 40 lands. But by the end of the decade three of those major clients—Mexico, Egypt and Brazil—had their own plants, run without ABN's help. The terrible days of the early Seventies followed. Fewer banknotes, stocks and bonds were called for. What's ABN's banknote production today? The best outside sources place the company's production somewhere between 2 and 2.3 billion notes a year, far under the De La Rue level.

In November, 1981 Ed Weitzen got a nice raise—from $150,000 a year to $350,000. His employment contract which runs to 1989 also stipulates that he get a car and chauffeur and all his business travel has to be first-class. In addition, Weitzen's sister, Annabelle Model, is executive vice president of International and gets $200,000 a year, making her the highest paid woman executive in the banknote world—and a lot of others, too. She's 57, married to a fur buyer and has two grown children. On and off she's worked with her brother ever since she got out of Hunter College. What does she do to earn $4000 a week? "Mostly I prepare material for the monthly board of directors meetings and I handle all stockholder letters and from handle all stockholder letters and from time to time I visit our facilities."

* * *

Since he became president, Weitzen told me, "we've spent millions on research and development. Let me show what we're getting for that investment."

He takes a specimen banknote the size of the U.S. bill and with similar coloring. He crumples, uncrumples it; folds and unfolds it. The folds and creases seem to vanish almost instantly. "We think this plastic will eventually replace cotton or rag paper. It will take intaglio printing and a note will last at least five years. It might be 25% costlier to make but we'd only have to use it on heavily trafficked denominations, say the $1 and $5." It was, of course, the Tyvek Dupont plastic I'd first heard about at the Federal Reserve in Washington.

From his desk he takes a metal-plastic base about the size of a paperback book with a series of raised, pimple-like buttons on the surface. He takes two specimen notes from a drawer. "One of these notes contains a secret ingredient which cannot be analyzed; the other doesn't." He placed the first note on the plastic base and a tiny red light went on. "That's the machine's way of saying this is a good

note because it reacted to the hidden ingredient in the note." In time, he thought, the device could be manufactured for $25 so that millions of storekeepers would buy it to detect counterfeit notes.

This, of course, was borrowing from the original "rare earths" research done by Giesecke & Devrient. I knew that Weitzen and Siegfried Otto had agreed that American Bank Note would represent G&D in North America for sales of its note handling machinery as well as the "rare earths" technology. According to the agreement American Bank Note paid G&D $1,163,000 for a license "for the marketing and manufacturing of security systems". The contract runs through 1991 and enables ABN to manufacture the G&D note handling machines in the U.S., using the German firm's blueprints and experience. The two firms formed a separate corporation, ABN-Securities Systems Inc which will sell the equipment. ABN has 60% of the new company, G&D 40%.

I said at one point that American didn't seem to have much luck with its own technological advances such as the Magna presses which had gotten such adverse comments during the Senate hearings in Washington. For example, Senator Charles H. Percy of Illinois said: "Four printing presses (the Magnas) purchased (by the BEP) for more than $1 million apiece, have not performed anywhere near their contract specifications. This has affected both productivity and morale."

Ed Weitzen told me: "We decided that machinery manufacture just wasn't our bag and we would put our assets to more productive use. So we sold the Magna rights to De La Giori for $4 million. After all why should we hang on to a me-too press, be No. 2."

One reason American Bank Note spent many millions trying to develop its own new intaglio presses—and not be dependent on the Giori monopoly—was that its own machines at the main Bronx plant were very old. Weitzen had talked about this and related factors in his Senate subcommittee testimony:

> "If you take the situation of a company which is 180 years old. . .located in the South Bronx, one of the very depressed urban areas, which employs 1200 people, about 70, 75% of our working population is either female, black Hispanic, minority. . .if you recognize that we have a building of some 480,000 plus square feet. . .we have presses whose average age is 35 years old and they are running fine, thank you, but it would take in excess of $22 million just to replace that small

group of presses.

One question that remained unasked was the security problem of keeping a money-printing plant in a high crime area. One day at the bank-like Wall Street headquarters of American Bank Note, I asked that of Louis Hindenlang, the executive vice president. "It sounds funny," he admitted, "but the fact is insurance companies like us to be in the South Bronx instead of the Jersey meadows or remote places like that. In the South Bronx there are lots of cops nearby and it's much tougher to make a getaway than it would be from the Jersey meadows. In addition, the Federal Government gives you special credits for staying in a depressed area like the South Bronx and employing local people."

* * * *

A European member of the banknote world said I should look into the Magna press fiasco more closely. "It has some fine ironies and it will give you some insight into the peculiar workings of our little world." He thought that Chauncey Foote, a recently retired executive vice president of American Bank Note might be a proper guide.

I visited Foote on his retirement farm at East Andover, New Hampshire. Foote doesn't look his 68. He's brown-haired, husky and keeps in shape by farm chores, golf and local Democratic party affairs. In his antique-studded den of the lovingly-restored ancient house he gave me his background:

"I have two very minor claims to fame: one I'm a 12th generation American and a Son of the American Revolution. More importantly, perhaps, I was a bi-political child. My father was an ardent Socialist. Norman Thomas was his God. My mother was a determined Republican. We lived in an apartment in Schenectady, New York, where my father was an armature winder for General Electric. Every election day you'd find posters for the Socialists and the Republicans on our front door. I might add that my father was also an Odd Fellow. And I'm a Democrat in Republican territory."

Foote came to American Bank Note after he graduated from Union College where he was an All-American lacrosse player. In 1934 he started as a junior chemist and advanced steadily on the technical side of the firm. He thinks the greatest impact he ever made on the banknote world came in 1940 when he persuaded his firm to use melamine, a special resin, in its notes to prolong their life. "I'd read about it in a trade paper. I put it on some notes and it seemed to

work. Some of ABN's directors were a little worried: "Why should we use the stuff? Wouldn't it only prolong the life of existing banknotes and cut down on our steady orders?"But I persuaded them and in 1940 we used it for the first time in Luxemburg currency. Now the paper lasts twice as long with the 1% melamine solution added and just about everyone uses it."

The Magna press situation got under way, he recalled, in 1962. "Giori was making great intaglio press sales all over the world and we hated to be dependent on an outside source for our presses.

"Then in 1962 I get a letter from Gazzola, the Italian engineer Giori took with him to Argentina in 1948 to help develop his press. Now Gazzola was mad at Giori. He felt he had helped develop the presses and all he had was a salary and no piece of the increasingly profitable action.

"Gazzola proposed that we get together—secretly, of course, since he was still on the Giori payroll. I flew over to Milan and we talked at my hotel for several hours. He showed me the plans he had drawn to improve the Giori model. Then he wanted to take me to the best restaurant in Milan and I said, off-hand, I bet that's the place Giori eats at. And Gazzola, in all innocence, said, of course. So I said maybe that's not the kind of place we should be seen at together and then it hit him. He was an honest, upright fellow in his own way."

Back in New York, Foote convinced his superiors that Gazzola was worth investing in. "They gave me a blank check. More secret meetings with Gazzola, this time in Geneva and we talked salaries and support staff. He would bring five engineers with him—but none from the Giori organization. We chose a plant in Crissier, near Lausanne, to make the new machines. By 1966 we began getting delivery. We decided to try them in our British plant, Bradbury, Wilkinson and that was our big mistake. Everyone knows that to work out bugs in a new machine you try the Germans first, never the British."

Since so much depended on Gazzola's talents, American Bank Note took a $500,000 policy on his life. "He died suddenly in 1971—stomach cancer, I think—and the policy payment became a hefty part of our net income the next year. But on the whole the Magna machine investment may not have been the best ABN ever made. They work fine for us even if the Bureau of Engraving seems to have had trouble."

Before I left I asked if having a dedicated Socialist father had any

influence on his life. He smiled broadly. "Well, if nothing else it made me a great labor negotiator at the ABN Bronx plant. We had 26 unions to negotiate with. I told them who my father was, the Socialist leader of Schenectady. They checked it out and they figured the son of a well-known Socialist couldn't be a total son of a bitch so we got along pretty well. I needed all the cooperation we could get because in the late Thirties we started hiring a lot of blacks, including a number of Protestant ministers." He concluded that the banknote world had provided him with a "helluva interesting life". It had also enabled him to meet a lot of "fine people" and a "few memorable rascals". He elaborated but asked me not to since they were still alive.

Crane of Crane

RAGS make paper, PAPER makes money,
MONEY makes banks, BANKS make loans,
LOANS make beggers, BEGGARS make rags.
—18th Century jingle

For most of this century a Crane has been on the board of directors of the American Bank Note Company. And he was always a Crane of Crane & Company, Paper Makers, of Dalton, Mass. Not long ago I visited Crane to talk to the sixth generation in the business.

He is Christopher M. Crane, 43, tall, and fighting a creep to pudginess. As manager of the company's security paper sales he is a key link with an important customer the firm has had for just 100 years—the U.S. Bureau of Engraving & Printing. "But we supplied American Bank Note with paper even before that," Crane adds. "We've been in the business since 1801."

All U.S. currency notes are made on Crane paper. "It takes 2½ pounds of our special security paper to make 1000 banknotes. We sell them off-white sheets about 25x22 inches each, large enough for 36 bills. We get $1.24 a pound and less than 20% of our total business is with the BEP. No one else can buy that kind of paper but there are certain other kinds of Crane bond if ordered in sizable amounts would bring the Secret Service nosing around. We have 900 employes and do about $60 million a year gross."

Crane has a small, quite modest office in the low, compact headquarters building in the small town not far from Pittsfield. Chris Crane has been with the family firm since 1957. After Hotchkiss he went to Syracuse University but didn't graduate.

Monopoly is a dirty word in America and in the early Fifties Con-

gress asked the Secretary of the Treasury to award a small portion of the BEP paper contract to a second bidder, regardless of price. They could award up to 3% of the total order as "an educational award" so the new firm could learn how to make the paper properly.

"And that's how Gilbert Paper Company, a division of Mead Paper, got in the act," Crane explains. "Their price was higher than ours but Gilbert salesmen made the most of the connection. They used to give dollar bills to serious customers and say: 'That's the kind of paper we make'. Then after a few years the Bureau of Engraving told Gilbert, 'Hey, you've got to get your feet wetter. Your education is getting too expensive. So now Gilbert bid for 20% of the total paper contract. Only their bid came in two days late and was pretty high. And that was the end of them as a BEP paper supplier."

Since Crane still had a monopoly, the U.S. General Accounting Office decided the Crane contract needed more auditing to make sure profits weren't exorbitant. "So now we're on a four-year contract and we make the same profit we did before. We're not allowed an escalation of more than 10% a year—and with the recent annual inflation you can see what kind of a bind we were in. Paper-making is energy intensive. You need a lot of steam and power."

A new Crane paper plant was added in 1975 and for the first time the firm began actively to seek foreign customers for banknote paper. It supplies Mexico, Taiwan and Peru. Chris Crane introduced me to Robert T. Parker, the firm's head of international sales.

"We started out late and now we're running after Portals, the British firm that is 30% owned by the Bank of England. It's been making their banknote paper since 1724. Portals is probably the largest international supplier of security paper. But there are a lot of other outfits hustling out there. Siegfried Otto's new Luisenthal plant; Arjomari of Paris which is a combine of three separate paper companies; Fabriano of Italy; the Howard Smith Company of Canada; Tumba-Bruk of Sweden and Wiggins-Teape of Aberdeen which also supplies a lot of American Express traveller cheque paper." In 1982 Portals opened a new $15 million security paper plant in Hawkinsville, Ga., to get a share of the vast U.S. market.

Over a beer and a sandwich Bob Parker expands on the selling problems. "Our prices are pretty competitive but so many central banks have been brain-washed by Portals into thinking they *need* a watermark in their banknotes for protection against counterfeiters that it's rough selling. You show them how forgers make their own

watermarks and they listen—a little. Sure we can put watermarks in the paper but the kind you need for banknotes, spot watermarks rather than continuous ones, would be tough for us. To do it right we'd have to invest $4 million in new equipment."

The pros and cons on watermarks in banknotes have been argued for more than a century. Generally, European countries prefer a watermark, even at the expense of reducing the note paper's strength. In the U.S. the strength and durability of the paper has been the primary goal. Watermarked paper calls for shorter fibers resulting in reduced durability.

The Crane currency paper has a 75% cotton-25% linen mixture with distinctive red and indigo blue textile fibers dispersed into the pulp during manufacture. A dollar bill is built to withstand 8000 folds before wearing out. Most European notes wouldn't last nearly that long.

None of the Cranes I spoke to could envision Tyvec or indeed any plastic as a practical substitute for security paper. "Yeah, every few years there's a new plastic-for-paper boom," Chris Crane sniffed, "and we're still making money out of rag paper."

Less than a fifth of Crane's output is devoted to U.S. currency paper. It also turns out a lot of fine personal and business stationery; very thin paper for bibles and encyclopedias; carbonizing tissues, tracing and facsimile papers. During World War II it developed a special paper for the Army to use in its POW camps. The paper wouldn't take water, lemon juice, milk or any other traditional means of evading the censor. Crane also made the paper the OSS used to counterfeit Japanese occupation currency.

Shortly after my visit I talked to Milton Lipson who used to deal with Crane when he was head of security for American Express, which was then, as now, probably the largest single purchaser of security paper in the world. One estimate is that its travellers cheques require some $20 million worth of security paper every year, for the $18 billion worth of cheques it sells a year.

Lipson, a former U.S. Secret Service agent, is convinced that the banknote *paper* age will not survive this century.

"Banknotes should have gone into plastic bases long ago. They haven't because there's great resistance from the paper makers, from the intaglio press people, from just about everybody in the banknote world. With plastic, banknote making becomes an entirely different industry, requiring different machinery, differing thinking. You'd not

only be devaluing the expensive body of expertise these men have acquired but, worse, you'd be requiring them to learn an entirely new trade. Their resistance will be fierce but in the end they'll have to lose."

Scion of the Emperor

Everyone lives by selling something.—Robert Louis Stevenson

For 45 years Henry Meiggs Keith, an eminent Costa Rican, was one of the paladins of the banknote world, the great expert on Latin America, the heroic and usually victorious veteran of many savage battles with De La Rue and Waterlow.

More importantly perhaps, he bears two of the most history-encrusted Anglo-Saxon names in South America: Meiggs and Keith. No history of the area can be written without incorporating the achievements—or depredations—of his two ancestors.

With those names and connections, Henry Meiggs Keith was able to sell billions of dollars' worth of banknotes for American Bank Note. The actual print value of his orders ran into hundreds of millions of dollars and, as he puts it: "If I had been on a commission like Avramow and Hunt, I'd be a multimillionaire today—just as I should have been in 1929 if Wall Street hadn't fallen out of bed. I inherited $18 million worth of United Fruit Company stock from my uncle, Minor C. Keith, who founded the company. He died in June 1929 and I was the chief heir, but by the time the estate was settled the stock had fallen from $150 a share down to $10. Minor had a lot of debts, so in the end I got nothing except a bronze bust which I still have."

In 1930 when Henry Keith discovered that his enormous inheritance was worthless, he also found that his great uncle, Minor C. Keith, had been immortalized in an irreverent novel that made a stir

that year. It was called *42nd Parallel*, written by John dos Passos, then a comparative unknown. In one of the nervous biographies that run through the book, dos Passos called him EMPEROR OF THE CARIBBEAN:

> When Minor C. Keith died all the newspapers carried his picture, a bright-eyed man with a hawknose and a respectable bay window, and an uneasy look under the eyes.

It runs on for several pages of machine-gunned paragraphs, concluding with the ironic: "But Minor C. Keith didn't die." (Nearly everyone else did.)

The redoubtable family history starts with Henry Meiggs, a New Yorker who sailed for San Francisco in 1849 with a shipload of lumber — which he sold for twenty times its cost. That started his fortune. He became an alderman and skipped town during the 1854 Depression. He left owing a million dollars in debts, including $800,000 embezzled from the city. He went to Chile, built railroads for the country when no one else could. He earned new millions and then built railroads for Peru. He got a call to build a road in Costa Rica but didn't have the time, so he invited an in-law, Minor H. Keith, to do that job. Minor had worked for his in-law in Peru.

Keith of Costa Rica built an impossible line between the coasts and planted the territory with banana trees so his rail cars would have something to carry. The building of the road took 6,000 lives and the fertile soil eventually gave birth to United Fruit Company.

Our Henry Keith's father, John M., worked for the Costa Rican railroad and then represented several American firms in San Jose. As he prospered, he went into private banking. He built the first major Costa Rican hospital and its first insane asylum. Henry's father married a Costa Rican, an Alvarado—a prominent Spanish name in Latin America. Our Henry was born in 1901. Was sent to a boys' school in Maryland, then to Dartmouth, Class of '23.

After his great inheritance vanished, Henry K. went to work for Pan American Airways, then pioneering Latin American routes. Meanwhile, he had also inherited a minor job from his father who had been local agent for American Bank Note in Costa Rica since 1911. Henry Keith married an American who lived in San Jose. Her father had a coffee plantation, and when he died Henry went to the States to make better sales connections for the coffee.

In 1938 American Bank Note approached Henry Keith: would he be interested in working for them as a foreign representative? Keith,

his wife, and three daughters moved to Short Hills, N.J., where they rented a large house for $125 a month.

"Mostly, I took the job to make sure our girls were educated in the U.S. They'd been going to a German-language school in Costa Rica and the school had become real Hitler-oriented."

What American Bank Note needed was someone to concentrate on their second biggest customer: Mexico. The first was, then, China.

"I became the Mexican expert. I kept going back and forth several times a year. In addition to doing money, we also did lots of railway bonds, and notes for local banks of issue. I was always on salary; I think they started me at $10,000 a year, which was damn good in those years. My job was to see to it that the orders came in regularly, that the competition stayed away and Mexico continued to love American Bank Note."

His first genuine test came in the '40s when Waterlow & Sons of London, fairly desperate for business, made an attempt to get into the lush Mexican market. Henry Keith recalls the alarm bells that went off.

"I was in Guatemala where the new Bank of Guatemala was being organized and banknotes were going to be ordered. The only other salesman there was a British subject named Mitchell who lived in Ecuador. He had some kind of business there, and a wife, but his real love was bird-watching. Turned out, our wait in Guatemala was going to be a long one. You have to be very patient in this business. Well, Mitchell got tired of waiting and married a Guatemalan. . .Oh, I think he got a divorce first. So they both watched birds and I watched him, and we became friendly. One day over a beer he said, 'Henry, old friend, I don't want to alarm you but I think you should know that my firm, Waterlow, has just gotten a nice fat order from Mexico.' I felt as if a Richter Scale-9 earthquake had just floored me."

(Henry Keith is recalling his banknote life while we are seated in the study of his house on the outskirts of San Jose. It is a large, rambling one-story house with 12-14 rooms. The wooden-straked siding gives the house a feeling of age among the more modern homes of concrete and brick that surround it. Keith is heavy-faced, jowly, and has a prominent nose. His thin gray hair is combed back and I decide after a puzzling while that he had been reminding me of the old film actor, Edmund Gwenn.)

"Waterlow with a Mexican contract! And ABN didn't know about

it? This was deadly. I cabled New York, using the thick code book they had given me. It had code names for every opposition salesman, even Mitchell of Waterlow, but it also had the names of a lot of agents who'd been dead for many years. ABN cabled me: They didn't know anything about Waterlow in Mexico. I decided the hell with Guatemala and got myself up to Mexico City by the first plane. The camel had gotten its nose under the tent and I had to kick it out pronto."

At the Bank of Mexico, he learned that the news was accurate: Waterlow had indeed been given an order for 10 million one-peso notes.

"This was ominous. When a competitor gets his first hook into your account—even if it's a little one like this—you know damn well he's going to move heaven and earth, and bribe Gods-know-who, to get more business and entrench himself. If he does his dirty work right, you're out on your ear. Never mind American Bank Note had been doing Mexico's notes for more than 60 faithful years or so."

Gradually, the details emerged at the Bank of Mexico. Waterlow's offer had been accepted because they said their one-peso note could not be counterfeited. "That was a pretty ridiculous guarantee: Who on earth would want to counterfeit a note worth *12 cents*? What had gotten the Bank of Mexico edgy about counterfeiting then were the Cristeros notes made by your friend, Sampietro."

My friend, in a manner of speaking. I had once written about Sampietro, more properly—Alfredo-Hector Donadieu, a French counterfeiter who had once broken out of Devil's Island. After several picaresque counterfeiting adventures in Colombia, Cuba, and Mexico he had been jailed by the Mexicans. Then in 1938 he was freed during a daring jail break engineered by a group of Cristeros, an underground Catholic movement out to overthrow the anti-clerical Cardenas Government and restore the church's lands and authority. They had sprung Donadieu partly because one of the movement's beautiful leaders, Amada Casas, was in love with him; but mainly because Donadieu could make the counterfeit Mexican notes that would help the movement overthrow Cardenas.

During the next ten years, Donadieu did turn out fine fakes of the 50- and 100-peso Mexican notes—made by American Bank Note. It was the growing alarm about these counterfeits, fanned by a clever Waterlow salesman, that got the one-peso-note contract for the London firm.

Keith got the bank officials to let him see a proof of the proposed Waterlow one-peso note.

"It had the expected vignette of Juarez, the Mexican national hero—their George Washington. I compared the note with ours and showed them how our notes were much more intricate, all those lovely geometric lathe arabesques on the border and so on. But even as I was going through the motions, I knew this wasn't going to cut any ice. There were those damn counterfeits of our 50- and 100-peso notes floating around and obviously our extra engraving details hadn't deterred clever Sampietro-Donadieu." (Sampietro was an alias.)

"I was getting a little desperate. I could imagine the dark looks in New York if I let Waterlow get into our historic banknote territory. So I studied the proof a little more. There was something about the Juarez vignette that bothered me. Something wrong. It looked like him—yet it didn't. It was driving me crazy, until it hit me what was wrong was Benito Juarez had been Anglicized: on the one-peso-note he looked like a perfect English gentleman. No longer out of Oaxaca; looked more like a man stepping out of White's Club in London. This was something I *could* use. Back to the Bank of Mexico and to its head of the anti-counterfeiting division, Dr. Alfonso Quiroz. I showed him the proof.

"'Tell me, I said, 'who is this Englishman on your one-peso note?' He half-smiled at me; one of those Yankee jokes no doubt. 'No joke,' I went on. 'Waterlow has changed your Tarascan Indian leader, the great Juarez, into a right proper English gent, dressed up for court in London.' Quiroz studied the vignette more closely—and lost his smile. After a few minutes he agreed, reluctantly, that Juarez looked more English than Mexican. Then he got the wheels moving, convinced the others at the bank and, in one day, the Mexicans cabled Waterlow to stop all work on the order. Eventually, they paid them £16,000 (then about $48,000) for work done and asked them to destroy all the notes they'd made. I earned my annual salary that week in Mexico City. You bet. There's an old Spanish expression, *le sono la flauta* , your flute sounded— or you made the right noise at the right time. You hit the spot. That's what I had done in Mexico."

Shortly afterward, Keith earned another battle star for his clever work in Cuba. The Cubans were giving up their total banknote dependence on the U.S. Bureau of Engraving, which had been turning out their notes since 1934. They had called for bids from the ma-

jor companies on what was to be a $3 million order.

When Keith got to Havana, he found the delegation from De La Rue had stolen a march on him. "The British had come with beautiful banknote models, hand-drawn. I talked to the head of the central bank. 'Yes, the De La Rue models were very pretty but after all, *hand-painted* models were not the same as *printed* models. Wouldn't it be wise for the Cubans to have all the competitors present a finished banknote? A *printed* one? I persuaded him, and he amended the bid so that it now called for a printed model note. A small but important victory."

He explained why. "We already had all kinds of engraved Cuban coats of arms we had used in the past on various Cuban bonds. We had an engraved portrait of Marti, their great hero, so in effect, we were halfway there. Under the new bidding rules, De La Rue would have to start engraving from scratch."

The printed specimens and bid prices were submitted. De La Rue and Waterlow were lower than Keith and American Bank Note. Only little Jeffries of Los Angeles was higher.

"A good banknote man has to learn to sit and wait. I was there alone, for American Bank Note. De La Rue had eight or nine men. Waterlow had four or five. We all stayed at the Nacional Hotel for four months. The place was pretty empty. No tourists because of the war, so the rates were low. I think I was paying only $7 a day for a very nice room. Meanwhile, the Cubans decided on another ploy: they said they were sending all the printed samples to some neutral banknote experts in Europe, to get their judgment on which notes were more secure against counterfeiting. I don't know who they got—the war was on, remember—maybe it was the Swiss, but in any case, the word finally came back that our notes were it, and we got the order."

After the war was over, he and his family returned to their native Costa Rica and he now became the ABN's chief representative for all of Latin America. He travelled to each country, appointing local agents on commission. "They had to be well-connected, prominent local families and all that. Wasn't hard. People actually sought me out to get the agent job. In one case, it was an ex-Minister of Foreign Affairs; in Ecuador it was an ex-general named Cobo, Commandante Cobo, who made a fortune on his 5% commission. When he died, his wife, Emma Cobo, took over. She still represents us in Ecuador. We share the banknote business there with De La Rue.

The only other woman we had was one in Panama, but she only handles postage stamps. Her father had been our agent there."

The ABN agent in Bogota, Colombia, Roberto Prabilla, was kidnapped and held for 5½ months before his family paid off about $1 million in ransom. The original asking price had been $3 million. The family had done well by banknotes, but mostly they made it because they had the Fiat agency for Colombia. "Yes, they finally caught the kidnappers, but by then the whole Prabilla family left Colombia for Fort Lauderdale where they are now."

After World War II, thanks to Giori's pioneering efforts, several Latin American countries built their own banknote plants, among them Brazil and Colombia. But Colombia still relied on ABN for its 50- and 500-peso notes. In the summer of 1973 a clever gang had gotten into the safe of the Banco de la Republica branch in Cartagena and made off with some 41 million worth of 500-peso notes (about $1,640,000). The manager of the central bank branch used to leave the bank's safe combination in his desk drawer and the guards would see him peek at it now and again. Some guards got an idea. As soon as the loss was realized, the Banco de la Republica suspended payments on all 500-peso notes and called them in for exchange. You got five 100-peso notes in exchange. And all who turned in a lot of 500-peso notes had to explain just where they got them. Eventually, the crooks were caught and the bank recovered most of the money, with insurance making up the other losses. But a new 500-peso issue was needed quickly and American Bank Note hurriedly planed-in a huge order, this time printed with red ink to distinguish it from the called-in 500s.

Brazil had also been a great ABN customer until they built their own plant. "Brazil was a dream account," Keith recalled sadly. "A dandy. Our agent there was Valentin Bourcas, and between us and IBM—whom he also represented there as an agent—he got very rich. We were in solid there because Bourcas was an old buddy and used to play golf with Dictator Vargas three times a week."

During our long talk, Keith would go off on somewhat rambling asides about what some of his competitors would do to get accounts away from him. "Bribes, you expect. False rumors even, I'm sure. One time we did this five-peso note for Mexico. It had the engraved vignette of a handsome Latin American woman with a gypsy-like headgear. Just a stock engraved item we had on hand at the Bronx plant. But rumors got started that the woman on the 5-peso note was

really the mistress of the Finance Minister and that's why she got on the note. Well, you can imagine this was pretty embarrassing for the Minister and we had to make sure the story was stopped. We got lots of stories planted in Mexican papers, showing the origin of the vignette—I think we had once used it on a Latin American bond thirty years before—but still, a lot of people wanted to believe the romantic story."

Competitors, he went on, are capable of terrible tricks. De La Rue, during one of their frequent attempts to get the Mexican business from ABN, "once flew-in a planeload of beautiful Spanish women, including a lovely Spanish aristocrat. Naturally, there were lots of parties after that, but it didn't work."

It wasn't easy competing against De La Rue, he went on. "They were dangerous because they were always thinking two moves ahead. They had this trick of inviting second-level central bank officials to London—sub-cashiers and men who would, in time, become the officials ordering banknotes. Ostensibly, they'd come to London, all expenses paid, first-class, for an 'orientation and training period.' They'd be wined and dined for a week to ten days and naturally they'd leave with an awful lot of goodwill for De La Rue."

(Inevitably, I asked Keith if he'd ever paid a bribe to get any banknote business. "Not a dime," he said firmly. "Never paid a bribe. What my agent inside the country did, I didn't know.")

By the late Fifties, Keith spent more and more time nursing the great Mexican account, the most important one ABN had. He showed me the original 8-page contract governing the first continuous order from Mexico in 1921. (Before that, the orders had been one-time affairs, including special jobs done for private banks such as the Bank of London and the Bank of Mexico which were then allowed to have their own banknote issues.)

Gradually, in the late Fifties, Bank of Mexico officials began speculating out loud: maybe it was time for the country to have its own plant, like Brazil, Colombia and Argentina. "You can be sure that friend Giori was working on them," Keith recalls sourly. "He knew, in time the idea of their own plant would stop being just a second margarita dream.

"When I first heard some serious talk, I helped the Mexicans scout around for a site. I found a perfect one for them in the industrial area just north of the city. I phoned the ABN president, Fred Colclough—he became president in 1952—and urged him to buy the site to show

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the Mexicans we were serious in helping them to erect their plant. Naturally, I hoped they'd want us to help run it for them, as well as equip it. But Colclough was a lawyer, a very cautious Wall Street lawyer. Also, like a Wall Street lawyer, he figured the Mexicans were just putting on an act for me, just a bluff maybe, to get our prices down. I kept after him but he kept stalling, telling me not to get so excited and so on. You know, if I'd had any sense I'd have bought that plot myself. It's jumped in value five times since then."

In 1964 the Bank of Mexico sent a two-man team to Europe to inspect banknote plants and their costs. Later that year, the team, including engineer Jorge Perez Rodriguez, recommended that Mexico construct its own plant. The bank's directors voted to do just that.

"After that," Keith recalls, "we knew that the only thing left was to try to win the contract to erect the plant, equip it, and train the personnel. If we'd had the land as part of the package I think we'd have been off and running. But we didn't, and everybody in the banknote world was damn anxious to help Mexico make its own currency. We offered our new Magna presses; Giori offered his, and there was even another German manufacturer who was making the new web intaglio presses under license from the Bank of England."

Giori was the big winner. The Mexicans ordered nearly all of their new equipment from him. The new plant, north of the city, opened on December 2, 1969 with the production of a run of 10-peso notes."

"There was a big celebration but there wasn't much for us to cheer about. However, until they were really under way, we were still their only supplier, and all through the Sixties and even most of the Seventies, they were still sending their Bank of Mexico jets to LaGuardia two and three times a week to pick up shipments of notes. The planes would come in with armed guards aboard, and generally a few Mexican officials getting a free ride to New York. The bank had to use its own planes because commercial airlines didn't want to handle so much money. The insurance costs would be too high. The very last shipment we sent them was in May, 1979. I think there were 350 million pesos ($15 million) in that batch. It was not a happy day at 70 Broad Street in New York. I wasn't around to see it because I finally retired in September 30, 1978. They gave me an engraved steel plate: 1935 - 1978

In Commemoration Of 43 Years Of Distinguished
And Dedicated Service Throughout The Americas.

"They also gave me a great going-away dinner at The Windows of

The World atop the World Trade Center in New York. The family's still connected with ABN, mind you. My son-in-law, Owen McGehee is senior vice-president in charge of the international division, and my nephew, Johnny, is the ABN agent for Costa Rica. What I do now is manage my wife's coffee plantation which is not far from the airport. There are also 12 grandchildren and eight great-grandchildren. Enough to keep me going. Now I'm just one of several thousand U.S. citizens who are living out their retirement years in Costa Rica, except of course, I was born here."

* * * *

There was another former banknote salesman I was told I should talk to while I was in San Jose. His name was Robert S. Jagger—a Briton who had once worked for the *Financial Times* of London as assistant foreign manager in charge of Latin America. Jagger was recruited by American Bank Note in January, 1970 and brought to New York for the customary eight-months' training.

He was away during my visit but later wrote me an account of his time with American Bank Note. A mutual friend of ours described Jagger as "a big, good-looking Englishman," who got a lot of ribbing in the trade because he married Lucretia Volio, daughter of the manager of the Central Bank of Costa Rica, an ABN customer. "Naturally,everyone ragged him, 'What some ABN salesmen won't do to keep an account.' They had a son, but the marriage went sour and now they're divorced. Bob lives in San Jose where he is doing very well as local representative for several large British manufacturers."

A few weeks later Bob Jagger wrote me an account of the highlights of his six years with ABN:

> I was sent to San Jose to live here—I couldn't stand New York—and use the country as a base for travelling all around South America, attending the opening of banknote tenders of central banks. I travelled south to Uruguay, north as far as Guatemala and to the Carribbean Islands. . .Our agents in each country were highly influential and usually involved with us because of the prestige element rather than the commissions. In Peru, we were represented by the Prado family since the 1890s and only parted company when they lost their private bank, the Banco Popular, and were hounded from the country in 1973. . .In Nicaragua, De La Rue was represented by Luis Somosa so I need not bother to say who got the

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> business there. (Luis Somosa is a brother of the country's ex-dictator.) We used to get the Dominican Republic business when Trujillo was in power. When he was assassinated it took 15 years to win a new order there. De La Rue will probably have to wait that long to get another order in Nicaragua . . .

In his six years with ABN, he went on, "We re-won markets in Honduras, Costa Rica, Haiti, Venezuela, Ecuador and Colombia." But his most "interesting contract," the thought, was one he won in his first year on the job. It was in Haiti. "Papa Doc" was in the last days of his reign and because of the unsettled atmosphere in the country, there were very few tourists around.

> I spent three months on and off in Haiti staying at Villa Creole in Petionville. There were never more than four guests in the hotel at any one time and two were Mafia hitmen cooling their heels in total silence. De La Rue was the traditional supplier of Haitian notes, and having all the plates on hand for seven denominations, they had a $70,000 price advantage over us, right there. The only criticism I heard of the DLR notes was that the portrait of Papa Doc was out of date and had a white flash, or contrasting tonality, on one side of his face which he did not like.

Not much, but a start. Jagger collected all the publicity photos of Papa Doc and flew to New York. He persuaded ABN to invest $4,000 in getting a flattering oil painting of Papa Doc, combining the most favorable aspects of the publicity shots. The painting was "a great success," and Jagger flew back to Haiti.

> I gave the portrait to the president of the Central Bank, a delightful old gentleman named Monsieur Andre. In international circles, M. Andre was the shining light of Haiti for more than twenty years. Despite all the rumors of bloodshed and horrors perpetrated by Papa Doc in Haiti, it was felt that as long as M. Andre arrived at the International Monetary Fund and World Bank meetings each year, there was hope for Haiti.

Jagger was instructed to wait for results, not to leave Haiti. Four weeks of restless waiting followed. During that time,

> I fell in love with the black head-waitress at the hotel, bought her a passport and she now works as a bunny in the Playboy Club in Montreal. . .I went a bit strange with constant voodoo drumming and solitude. One night there was a power cut and guards from the Presidential Palace arrived within 15 minutes

> and arrested the Haitian general manager of the American-owned power and light company. He was having dinner at the next table. . .After four weeks I was summoned to M. Andre's office to be told we had won the order despite an enormous price difference against us. I was told to get on with the printing. Unfortunately we had no photograph of the oil painting for the engravers to work on and Papa Doc had our painting on the wall and would not give it back. . .

During this impasse, even M. Andre tried to find a way to get the portrait away from Papa Doc. A week later he had an idea and summoned Jagger to his office:

> M. Andre phoned Papa Doc and said that we wanted to remove some wrinkles from under the chin and make him look younger. Papa Doc said I could have the painting for a week and no more. It was brought to the hotel five minutes before my departure for the airport. In New York the painting was altered, photographed professionally and I was back in Haiti in three days. I was taking no risks. Since that day the company must have received ten million dollars worth of repeat orders with this portrait on the banknotes. . .

I wrote Jagger again asking, somewhat greedily, if he ever found out what the two Mafia hit-men were doing at the hotel and why he left the banknote business, but he didn't answer.

* * * *

A dozen victories like Jagger's in Haiti wouldn't make up for the enormous loss that Mexico represented for American Bank Note, so while I was in Latin America I thought I'd visit the fine, new Mexican Fabrica de Billettes. It's in an industrial area north of the city, not far from the Colgate and General Motors plants. The banknote factory adjoins the new National Mint and the Internal Revenue building.

It's a handsome,stressed-concrete structure with wide, contrasting horizontal lines. The grounds and grass are immaculately manicured and the rose gardens and many reflecting pools soften the mood of tight security that surrounds the building.

Jorge Perez Rodriguez, the general manager, is 52 and has curly black hair tinged with gray. A small black moustache gives him a nodding resemblance to the late Tom Dewey. Perez comes from Chiapas where his father was an accountant. After getting a degree in mechanical engineering, he joined the Bank of Mexico in 1950 to do studies of Mexican industry. Not until 1960 was he assigned to the

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then-vague project of creating a separate banknote plant.

"Everything has worked out well," he said with some pride. "We recouped our investment in five years only. I must admit that we got the plant and equipment at very low cost since all the bidders seemed most anxious to get the contract. We are now doing *all* our own notes because the last denomination we left with American Bank Note, the 10,000 peso (then worth $425) is now being made here."

Unlike most central banks, Mexico's doesn't publish statistics on notes in circulation, but Perez confirmed that the plant does turn out more than 500 million notes a year.

"We are working only one shift, so we could easily more than double our production with a second shift, since we wouldn't have to replicate our preparation time. There are 300 employes, including 95 women inspectors and 50 security guards. We don't search employes going in or out but we do check all packages. So far, we've missed only two pieces of paper and both were found in the waste where they had been accidentally discarded. Our paper is from Crane in Massachusetts for all the notes up to and including 100 pesos. For the higher denominations, we use lighter, water-marked paper from Giesecke & Devrient's papermill and from Arjomari in France. Yes, we also experimented with plastic like everybody else, but our results were poor." He turned down the Muzak floating out over the large parquet-floored conference room, next to the luxurious executive dining room on the second floor.

"We use 80 tons of ink a year from SICPA in Switzerland and," he smiled, "we don't give out cost-per-note figures to anybody." No, counterfeiters didn't seem to be a bother in Mexico right now. "Fortunately for us, they seem to concentrate on your U.S. bills. Why not? It gives them a higher value for the same piece of paper. Also, and probably more important, is the fact that your dollar is an international currency and the Mexican peso, new oil money and everything—still is not."

He wasn't worried about the day when the need for paper money would be over, replaced by EFT, electronic fund transfer devices. "No, no, it is firmly part of a worker's nature to see the money he has earned, to feel it. When I was in Europe, I used to marvel at the workers who got paid by check and they would take time to cash their checks, hold the money for a few hours or a day, and then put most of it back in the bank. Still, I suppose it is possible that strange events will come to pass in my life. Perhaps there will come a time

when everyday financial transactions will be done by two hand-held computers. You will connect the two and make a deal so that credits from one are transferred to the other. It will be a sad day and I suppose they will then convert this fine building into a museum of the old ways."

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Knight Errant

May you wander over the face of the earth forever, never sleep twice in the same bed, never drink water twice from the same well, and never cross the same river twice in a year. — Traditional gypsy curse

Albert Avramow and Eric Noel Gibbs met only once, long before they had become legends in the banknote world. It was in Sofia, in 1922 when Albert got the Bulgarian note contract for his new employer, American Bank Note. In his diary, Eric Gibbs sourly recorded the event:

> ABN Co obtained Bulgarian note contract after considerable dirty work on the part of J. Claudet, Gustav Stalins and their agent, Avramow.

Today, at 96, Gibbs is perfectly able to flit through a tenacious memory and come up with accessory details: "Avramow was their local bulldog . . . he knew the right people to fix."

In the continuing banknote drama, Eric Noel Gibbs is the grand old man, the heroic figure, the incredible survivor. He should have been written by Arnold Bennett, just as Avramow sounds as if he was conceived by Eric Ambler with, perhaps, "additional dialogue" by Harold Robbins.

Unlike Avramow, Gibbs rose above just selling banknotes. In time, he became managing director of Bradbury, Wilkinson & Company, one of the great banknote producers of our time. But for all his rise he never earned anything remotely like what Albert made from his eight great years in China. During all of his career, which began in 1905, Eric Gibbs was a salaried employe. "Never even a single bonus. Or a company car." Even at his peak as managing director

from 1952 to 1961, he earned less than $10,000 a year which was much more in England than in the U.S., but in Shanghai in the 30s Avramow was spending more a year on entertainment.

What makes Eric Gibbs special in the banknote world is that in looks, demeanor, intelligence and cunning he was the very model of the perfect banknote salesman. Any ad agency would have triumphantly selected him for the role.

But most of all he is the extraordinary oral historian of the golden age of the banknote world—the great time from 1905 to 1960. Besides a remarkable memory, he also kept a brief, cryptic diary of his activities from 1919 to 1947. During a recent visit he permitted me to go through his diary entries.

Today, he and his wife, Olga—they've been married 52 years—live in an ancient, tiny village cottage on the main street that runs through the small market town of Fairford, in Gloucestershire. Their daughter, Matyelok—Russian for moths; she was born in August and there were a lot of moths in the room—is a successful London character actress. She has a weekend home near her parents and an apartment in London.

At 96, Eric has silky, white curly hair with heavy pouches under the eyes; is fairly erect but the tilt is there. His hearing is good and his eyes are in fair shape. When he walks he has the stiff gait of the very elderly, and uses a cane because he has an anomalous low blood pressure: "I might get giddy when I walk." But he still chops wood for the fireplace.

Olga was born in St. Petersburg in 1900 when her father, a geologist, was the governor general of a province in the Urals. Eric is her third husband. She has gray-brown hair, "muddy eyes" and Eric recalls she was "very lovely to look at and very graceful." (To a considerable degree, she still is.) She also adapted to the very peripatetic life of a banknote salesman. "I was not the best traveller in the world but I would go anywhere with Eric. There were times when I could have gladly killed him. Many times. Eric never gets seasick or hung over. He would eat sausages in front of me on sea trips and look at me wide-eyed, wondering why I seemed so miserable."

I asked Gibbs his formula for success in the banknote world: "A happy disposition and a wild desire to succeed." Olga adds: "And tremendous patience. What destroys a lot of banknote men are the long delays, the great waiting for an order to come through. Eric never seemed to mind. Also he had no fear. Some kind of angel,

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white or another color, has been protecting him all these years."

Their present home is no more than 10 feet wide. It had once been a tiny shop and they added a kitchen and small dining room to the back. Upstairs are two small bedrooms and a bathroom. Until 1978 they lived in a large, 400-year-old house, Coombe Green Cottage in Malesbury. They sold it, gave the proceeds to their daughter, Matyelok: "Why should she have to wait until we die to inherit?"

Eric was born in Leicestershire in 1886. His father was a rubber importer and merchant. His mother had been a nurse. They married in Paris and the best man was a handsome, convivial friend, Warren Green, a New Yorker.

Green was in Paris painting and his story sounds like a preview, six decades early, of *An American in Paris.* He had started as an apprentice designer for American Bank Note, quit and ran off to Paris to paint. He painted and made love with equal vigor. There he met and fell in love with a young opera singer, Jeanne Thierry, and they were married in 1891 in Paris. A year later Green realized he was never going to be a great artist and his wife accepted the fact that her contralto was not going to be of top operatic quality. At this point, Green accepted an offer from his brother-in-law, Edmund L. Converse, who was then president of American Bank Note. The firm was opening a production branch in Ottawa, Canada, and Green accepted a position there as resident manager.

The Greens and the Gibbs renewed their friendship in 1903 when Green was sent to London to purchase the banknote firm of Bradbury Wilkinson which had been going downhill.

In 1824 William Bradbury set himself up at 76 Fleet Street in London as a newspaper and magazine printer, including Punch. Then came first editions of Dickens and Thackeray, illustrated by well-known artists whose work was reproduced by engraving on copper plates. Bradbury's older son, Henry, pushed the firm into securities printing and took as partner an engraver, Robert W. Wilkinson. Henry Bradbury died in 1860 and Wilkinson was to remain chairman of the company for 40 years, doing notes and stamps for many countries. He expanded, unwisely, to some unrelated printing areas and lost a lot of money. It was about this time, 1903, that American Bank Note appeared on the scene with an offer.

About that time, too, Eric Gibbs' father discovered that his own business was a disaster: the rubber boom had collapsed and it looked as if Eric Gibbs was not going on to college after all. In 1905, through

the Green connection, he was able to start at Bradbury, Wilkinson as an 18-shilling-a-week clerk. (About $4.) But after a couple of unhappy years Eric asked his parents to get in touch again with their American friend, Warren Green. Could he find a place at American Bank Note for young Eric? He could. The firm even paid for Eric's fare on the S.S. Baltic: $50 for a second-class passage.

When he came over in 1908, Eric clerked in the American Bank Note at its brand new headquarters at 70 Broad Street, between Beaver and Marketsfield Streets, three of the oldest streets in Manhattan.

"I lived in a boardinghouse in Pierrepont Street in Brooklyn, and walked across the Brooklyn Bridge to work. I was earning $15 a week and paid $10 for room and board, which left me only $5 for everything else." Occasionally, in bad weather he took the Wall Street ferry for five cents. "In the summers, I and several other bachelors rented a house in the country—in Staten Island."

He advanced steadily, helped by a working knowledge of French. By 1911 he was moved over to the Chinese department which had been established for American Bank Note by an Old China hand, George Sylvester Hall, who was to earn himself a minor footnote in history because he became one of the many victims of an older and wilier China hand, Sir Edmund Backhouse. (See Chapter 6.) When Hall returned to Peking where he had a home, Eric Gibbs became head of the China department in 1911. At $2,200 a year, a very good salary then.

Eric partied a lot, fell in love often and as a tall, handsome English bachelor was much in demand as an extra man. He had been befriended by a prominent New York couple, Mr. and Mrs. Samuel Seabury. (He was later to become the scourge of Tammany Hall.) "Mrs. Seabury almost married me off several times but somehow it never worked."

Early in 1914 the firm decided that young Gibbs, then 28, was seasoned enough for his first foreign assignment: Mexico.

The job was to sell banknotes to Pancho Villa, the bandit-revolutionary. American Bank Note had been selling banknotes to all the Mexican states before the revolution and saw no reason why it shouldn't continue. The only problem was that Villa wanted the banknote company to *guarantee* that their notes could not be counterfeited. Eric's job was to persuade Villa that any copy of a note, however poor, could be called a counterfeit; that ABN had

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done millions of notes for the twenty different Mexican states and there had been remarkably few counterfeits.

He got to Agua Caliente where Villa was headquartered and met a character who has stayed with him all these years. He was an Englishman about 35, probably a gun-runner, and Eric encountered him when he couldn't get a hotel room. He told Eric, "Not to worry, old boy, I can put you up. Come along." The Englishman had a house built around a patio and in one room there was a single bed in the corner, and sleeping on it, nude, was a very pretty Mexican girl. Eric continues:

"He smiles at me: not to worry. We can all get in." Eric, still the proper Englishman: "*All* of us?" The other man sat the sleeping girl in a corner of the bed and put a pillow between her head and the headboard, with her legs hanging over the side. Eric, still eyeing the nude, sleeping Mexican, was a bit ashamed but still had to ask: "Would it be allright if I slept with my clothes on?" He couldn't bring himself to admit that he was worried about the $3,000 worth of gold coins he had in a money belt around his middle. Soon Eric fell asleep exhausted.

"When I awoke the gal was gone. The Englishman was washing and shaving. I thanked him and was filled with curiosity as to just what he was doing there. Gun-running, probably, but I didn't ask. One didn't."

The interview with Pancho Villa took place that day in the revolutionary's Pullman car. "Two aides, beautifully dressed—khaki-colored silk shirts, polished boots, the very model of a general's aides, took me to see Villa. He was rude, unpleasant, unshaven, smelly, and sloppily dressed. I made our case and he remained stubborn: no guarantees, no order. Well, I hung around and it was just as well. By then the Americans were after him and he was beaten, and if we had gotten an order it wouldn't have been paid for."

When Eric got back, his failure was greeted with smiles of relief. By now he was established as the firm's Mexican expert and soon there was a new assignment for him. Eric recalls:

"After Villa was defeated there were only two banks of issue left in Mexico and they both had a run by depositors, so the banks just declared a three-week bank holiday. They wired us for help: they needed a million banknotes in three weeks or they'd have to close for good. The firm worked night and day, seven days a week, at the new Bronx plant and we finally had the million notes, mostly low-

denomination 1, 5, and 10 pesos in seven large trunks, specially made. And one large suitcase which I was to carry, with the high-denomination notes, 100 and 500 pesos."

As a bodyguard, the firm assigned him a salesman named Henri J. Boulvain who looked like a professional wrestler. By train they got to Mobile, Alabama, where a chartered Norwegian vessel was waiting for them. The trunks were loaded, the ship took off and then burly Boulvain confessed that he was seasick prone an wouldn't be able to guard the trunks. He was out, all the way across the Gulf of Mexico.

In Tampico, Eric took the trunks to the Customs House where the delivery was to take place. The notes were due in Mexico City the next day. The Mexicans now insisted that Eric and Boulvain accompany the notes to the capitol so that the contents could be inspected there.

The train ride, a two-day trip, remains firmly embedded in Eric's olfactory memory system. "All we had to eat was baked beans. The car stank and stank and opening the windows didn't help."

When they got to Mexico City, Eric was sure he would be greeted as the saviour of the country's banking system. Instead, he got a week of bitter haggling over the price and delivery costs. "Very disillusioning." The thanks came in a few weeks from the Mexican public. The fine, intaglio-printed new notes had such a feel of money, of financial solidity, that Mexicans paid a premium for these over the many scruffy varieties of paper currency then circulating. The ABN notes also got the ultimate accolade from all Mexicans, except the fugitive Pancho Villa. They called the new notes the "Infalsificables," the uncounterfeitables.

Back in New York, with World War I on, Eric began getting his "patriotic urges." "Mr. Green offered to pay half my salary while I was away, so in 1916 I sailed back to England and enlisted with a London Rifle Regiment. I was wounded two times." Olga breaks in: "And the King gave him his Military Cross at Buckingham Palace."

When the Armistice came Eric was still hospitalized and Warren Green of American Bank Note came to the hospital and offered him the job as second in command at Bradbury, Wilkinson. (In August, 1919, Warren Green died at the Plaza Hotel in New York. He was only 53 and his last regret was that he hadn't offered enough to buy De La Rue which was then in the throes of great financial trouble. It would have given American Bank Note an effective world-wide near monopoly.)

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As the new foreign sales manager for Bradbury, Wilkinson, Eric Gibbs, discharged lieutenant, was to begin the first of innumerable trips for his employer. His diary entries begin in 1919:

> 1919. Go to Paris three times in May re the bank note contract with the Banque de Syrie. Trouble is that in 1918 we had agreed to be paid for the contract in French francs and since then the franc has fallen in value. Go by train to Belgrade, having to get out of train and walk over every bridge, the train following. Out of the country during the year 20 weeks. 1920. Very many trips to Paris over the Banque de Syrie bank note contract which is eventually signed at a compromise price. Out of the country during the year ten weeks. 1922. Leave Sofia for Turkey on Feb. 11, then to Piraeus. Contract with National Bank of Greece for notes coming up. Put in offer for notes and for bonds, the latter to replace the left half of all notes. By Government decree only the right half is negotiable.

Eric helps interpret the puzzling item:

"One day on the Orient Express car, I pay for my luncheon with Greek drachma notes and the waiter takes out a pair of scissors and cuts my notes in half. He says that only half the note is current. So if your bill is 100 drachmas, you have to pay 200. The other half you can exchange for bonds paying interest. This was a little homemade way the Greeks designed to cut their national debt in half. So I knew that new money would have to be issued for the bonds."

Eric feels he has to prepare me for a South African entry in his diary. "You probably know by now that *all* banknote companies sometimes make mistakes in the notes they turn out. Colors are not right; wrong signatures; mistakes in the numbering system and so forth. Not a firm in the business that hasn't had some terrible mistake. Well in 1923 Bradbury, Wilkinson had a terrible calamity in our South African notes. They sent me down to fix it."

The Union of South Africa's notes were then printed by the Bank of England Printing Works—except for the 10-shilling note worth $2.40 then. Bradbury had gotten a contract to run off three million of the 10-shilling notes, and did so. The carefully-packed boxes were shipped by Union Castle Line. Then a week after the notes reached the South African Central Bank, the notes started *coming in half*.

Eric recalls: "They showed me the notes: I was stunned. Some invisible, malevolent genie had silently cut every note in half. I was perspiring, you can be sure. Naturally the bank was furious and they

were hiring many girls to put the two haves together. And to make sure they were the right halves. Fortunately, it became clear that there was a fault in the paper which the bank had ordered us to use. So I offered to run through another issue, using Portals paper this time. And I said we'd to it without charge. Well, I had the authority and we did it, and they were ever so grateful. It cost Bradbury quite a packet and there was a lot of grumbling at home when I returned but we kept South Africa as a major customer for a long time. The nervous exhaustion of those terrible weeks made me lose eight pounds."

He rounds out the story: "Let me jump ahead. We have a very fine, profitable business with the South African Bank for many years and then in 1950 I get a Dear Eric note. . . um, um . . . 'We have great respect for your firm but we feel we can no longer have our notes printed outside our country.' Would we be interested in printing for them in South Africa? Build a plant. Well, it was a time when other banknote companies were starting to get letters like that from good customers and it called for a lot of transatlantic consultation. I went to New York and persuaded the head of ABN, a lawyer named W. Frederic Colclough, that we *had* to go along. I told him what happened to De La Rue when they refused to set up a plant for India; how that nearly bankrupted them and so on. So he approved and we set up the plant with South Africa financing the whole operation. I had to spend weeks and weeks there while the plant was being set up near Pretoria. We sent out heads of departments to supervise and train, and we got an annual fee for supervision and supplying inks. The plant now employs 400-500 people. Don't let anyone tell you banknote companies don't have a sense of humor: to head their printing plant we sent out a man named Crook. All in all, South Africa was one of our great customers."

The diary continues:

1924. . .Leave for Danzig via Prague and Warsaw. . . No sleeper. Very cold. . .

Eric offers some footnotes on his Danzig trip:

"I was in Warsaw trying to get on a train for Danzig. No luck. A likeable, friendly 12-year-old lad asks: 'Would you like to sleep with my sister?' I said no, sorry, but how would you like to get me a ticket and berth to Danzig? He could and did—and offered to have his sister accompany me. No, thank you. Fortunately, Bradbury knew Danzig would be very, very cold and they gave me a huge coat lined

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with muskrat. Also a fur hat. Danzig was the coldest place I was ever in."

I ask him about the business of appointing an agent in Warsaw.

He smiles thinly. "Very tricky. You need to be properly represented, so you picked a man with great care. He became your responsibility. He has to know the key people and have influence. In short, the agent's job is to find out who to bribe. The less we knew of that sort of thing, the better."

> 1925. On 1st May leave on SS Arlanza for Buenos Aires, calling at Lisbon where I see and have lunch with our agents. . .

Eric remembers something about the Lisbon visit. "Up to this point I've been doing a great deal of travelling to the East of London. There wasn't much for me to do, south. We had excellent agents in Lisbon and our man in Madrid, Raoul Peant, had all the Spanish business for a very long time. On a straight 10% commission he got very rich."

The diary continues:

> Go to Montevideo and see. . .Secretary of Banco Oriental del Uruguay and submit note designs. He likes them. Return to B.A. Spend weeks between B.A. and Montevideo working on offer for notes. . .Offers opened at Bank: Bradbury, £27,082; Waterlow, £26,000 and De La Rue about half these, the rest nowhere. . .

Eric interrupts: "Always De La Rue, always undercutting us. Of course, they were desperate; they'd do anything to stay alive. I developed a fine hate for them."

> 1928. On 21 Jan. leave for Bucharest by Simplon Express, putting up at Athenee Palace. Appoint Graner (a former manager of the Bulgarian National Bank) our agent. . .Through Graner appoint Ghitescu (the local Packard car dealer) as secret representative on account of his influence. . .Get material for note designs and send them to Bradbury by King's messenger. . .

Eric provides some flesh for the skeletal narrative:

"Rumania was a wildly corrupt place then. How did the saying go? Yes. Men without honor. Flowers without smell. Women without shame. . .The King's Messenger. We often used them that way. They were very obliging. After all, we were out to increase Britain's badly needed exports." He recalls a fleeting memory of the Athenee

Palace Hotel at the time. If you wanted a woman, you didn't talk to the concierge or tip a bellboy. You simply put a furled umbrella across your bed.

The 1928 entry continues:

> Swim across the Bosphorus and back. Best time 37 minutes. Sylvia Nairne comes with me but is slower. We each have a boat. We start from Terapia. Later when swimming at Kylios at the mouth of the Bosphorus Miss Nairne nearly drowns due to strong undertow. . .

Eric thinks back some 52 years. "Sylvia Nairne. She was secretary to the British Ambassador. We swam after a wild party, from Europe to Asia. A strong current but not a difficult swim, maybe 2-3 miles. . ." He smiles in recall. "Never mind Sylvia Nairne. I better tell you about Dukie. I first met her at a British Embassy cocktail party. . ."

(He doesn't like the name, Olga, so usually he calls her Dukie, short for *duschka* , sweetheart.)

Olga came to Turkey in 1919 after having been imprisoned three months by the Bolsheviks in Kharkov. She got a job with the British mission in Constantinople (later Istanbul) and was able to bring out her mother and sister and an old woman servant. Her father had gotten out of Russia via Japan and the U.S.

Shortly before leaving Russia she was married to Alexander Taskin, a lawyer whose father had been one of the Czar's private secretaries. Taskin died in 1920 and she married Norman Roberts, the British commercial secretary and vice consul in Istanbul. They had one son, Michael, who was killed in World War II as one of Orde Wingate's Raiders. The marriage was unsuccessful and long before their divorce in 1930 the pair had parted amicably. Olga met Eric at an Embassy cocktail party. She was running a profitable little billboard advertising business.

"The Embassy crowd loved Eric," she recalls. "He was very good at golf and bridge. All the gals were after him." Later, her business ran down and in 1929 she went to London to look for work. She looked up Eric and he helped her find quarters. "We got married in April, 1930. My mother and sister were annoyed at me for marrying another foreigner, an untitled foreigner at that."

Eric's diary continues:

> 1929. Return to Bucharest Nov. 1. . .learn from friends at Bank that order is to be given us. Wire office for prices on 12,

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15 and 20 million notes. Westall of De La Rue here but I hide from him. Governor wants to divide order between us and DLR but my influential friends confident we will receive the whole order. Meet Westall at British Consul's home and play bridge with him—and win! Think I have convinced Westall that Bank will make no decision for some time and he leaves! On Dec. 15 see Governor and gives me order for 10 million 100-lei notes. . .

Eric smiles grimly when he thinks of Bernard Westall, the De La Rue stalwart who had given Avramow a job and was now trying desperately to resurrect a dying firm. "He was a rough competitor and rather unlikeable. We'd always been running into one another at Embassy receptions and the like and there was a certain demeanor called for. After all it was a social occasion, not a business one. But not for Westall. He played very rough. Once we had to separate him and H. Leslie Hendriks of Bradbury. They had started punching one another."

Olga remembers Westall, too. "I disliked him. He was blatant about pumping the wives and girl friends of the competition. He'd love to get under the skin of the Bradbury people by sneering, 'Oh, yes, you work for that *American* firm, Bradbury.'" Eric adds: "Really too bad Warren Green didn't live long enough to buy out De La Rue."

"In the old days Bradbury acted pretty much as an independent firm. For example, American Bank Note was trying to get Bulgaria, Greece and Rumania as customers. We also wanted them, so the competition was fairly fierce between us. People in the trade used to joke grimly about it: one of those father-and-adopted-son battles. Well, today that's all over. American Bank Note controls Bradbury completely now."

1930. . .May 20. Leave for Stamboul. Put up at Club (Constantinople Club where he often stays) Our stamps have arrived and are being counted by a Commission and being supplied with coffee and cigarettes by Yaremdji. . .

Eric muses. "Yaremdji was an Armenian. The fact he was still in Turkey made him a brave, desperate man after what the Turks had done to the Armenians a few years earlier. He was a local stamp dealer. Under our Turkish contract we had to deliver the stamps in sheets of 100 placed in hard, wooden cases lined with zinc. For some reason there couldn't be a single knot in the wood. We were suppos-

ed to deliver directly from the boat to the main Post Office but the Turks wouldn't let the British boats come into port, so the boxes had to be lightered to the Customs House. There the Commission is waiting and they sit down to count the thousands and thousands of sheets. We gave them chocolate, coffee, cigarettes, tobacco to keep them happy and occupied. Finally, it turned out that there was *one* sheet of 100 5-piastre stamps missing. Much long looks and discussion. Yaremdji showed he was a true banknote man: he didn't make accusations—although we were damn sure one of the Commissioners had pocketed the sheet—and he didn't panic or wring his hands. Instead, he smiles at the commissioners and says not to worry, and runs off. Ten minutes later he's back—with a sheet of 5-piastre stamps which he bought at the Post Office. So now all is well and the commissioners smile. So does the Postmaster who can now get the fine wooden cases which he sold. As he did the zinc linings."

Olga adds that she was travelling with Eric most of that year: Bulgaria, Turkey, Rumania, Hungary. They usually went Second Class on sleepers, on their own. But when the firm asked Eric to take Olga along because there might be a certain amount of entertaining of the wives of bank officials, the firm would pay first class for both.

1932. (There is a certain sameness to his travels: Athens, Bucharest, Sofia, Paris, Budapest. Europe is, like the U.S., in the middle of a vast Depression. The business has become frantically competitive. . .)

1933. Terrible year. Eric now pays more attention to doing stock certificates and bonds for private companies, even checks for National Radiator. Aviation Tax Stamps for Rumania—anything that will keep the Bradbury, Wilkinson presses running.)

1934, 1935, are more of the same. Enormous amounts of train travel with increasing amounts of air travel. Then one day in November, 1936 when he's in Istanbul: "Leave for Ankara Nov 10 and carry diplomatic bag for Embassy." Eric nods: "I was one of the family. Always helped when I could. Embassy people very useful at times."

I was curious how, in all those years, he countered the low prices often bid by his chief competitor, De La Rue. "Definitely a problem. We had to use influence, persuasion and perhaps corruption."

Sometimes business came unexpectedly from surprising places. "At a cocktail party in London somebody introduces himself as the honorary consul of San Marino, the tiny city-state in Italy. Would we

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be interested in doing their stamps? They practically lived on the stamps they sold to collectors. Of course we would. Order turned out very well and they also made me a Commendatore of the Illustrious Equestrian Order of San Sebastian."

Another time in Paris, Olga helped him get an order. "This one was for notes for Afghanistan. The King spoke only Pushtu. Interpreter spoke only French, so Dukie did the translating. Her French is much better than mine. We gave them a big pilaff-and-mutton party. The King ate and ate and told the interpreter that he wouldn't mind marrying Mrs. Gibbs, if only for her great pilaff." (Olga had earned a Cordon Bleu in the early Thirties.)

> 1937. Arrive Ankara Jan. 5. Blackmore (an Englishman who had grown up in Mexico and was now representing American Bank Note) still here but his offer has been returned to him on account of his firm's refusal to surrender the plates. Very obvious that we are going to lose out for the same reason. It appears that Hendriks (the Bradbury executive) has made a bargain with Waterlow's that neither firm will surrender the plates when order has been finished. De La Rue of course are quite agreeable to hand over the plates at any time. . .

Eric explains: "You have probably noticed that nearly every banknote company has engraved on its letterheads, 'Plates engraved on condition they remain custody of this company,' or something similar. Banknote companies always refuse to surrender the plates. Why? Well, to begin with the companies spent a lot of money getting the engravings and making the plates. Then again, if you do surrender the plates, the next time they need an issue of banknotes some bright schemer at the Bank might say: 'Now, really, why on earth do we need the banknote company to run off the issue at their usual high prices? Why can't we have a local printer do it, now that we have the plates?' Or, another possibility: one faction in the Bank is anxious to run off an unauthorized issue. . .all kinds of dangerous possibilities. That is why banknote companies refuse to surrender the plates. I tried to get Bradbury to accept a compromise I'd thought of: after the issue was run off, we'd surrender the plates to an agreed-upon bank in Ankara but with the understanding that the plates couldn't be touched except jointly by the Finance Ministry and ourselves. But I couldn't persuade Hendriks." The diary continues:

> See Bank Governor, Salhatten Bey, who expresses his regret that he cannot give us the order and that otherwise it

would have been awarded to us!!! Return to Istanbul and take Simplon Express home, arriving 20th January, tired and dispirited. The contract was awarded to De La Rue by the Central Bank of Turkey and this was due entirely to a stupid agreement between Hendriks who knew quite well that the surrender of the plates was an irrevocable condition of the contract and Waterlow. A few years later Bernard Ellis secured this note order from Turkey for Bradbury and upon termination of the order we placidly sent the dies to Ankara.

By 1938 the signposts of the coming war were becoming visible all over Europe. For Gibbs, the clear shape of the Nazi takeover took definite form when he went to Sofia with Olga, on October 3.

1938. . .There is a big competition for notes of the Bulgarian National Bank and all the security printers are there: Westall of DLR; Waterlow's; Giesecke & Devrient, Miliani (Italy). . . Put in offer. Our price is very comparable with the other two English firms. Miliani very high, Germans very low and obviously being subsidized by their Government.

Eric breaks in. "It became a farce, like a reverse auction. Who could go *lower*? It became clear that we could never go as low as the Germans. One of the few times Bernie Westall and I agreed on anything: we presented a joint protest to the Bank on the way the note competition had been conducted. Useless, of course. Giesecke & Devrient got the order because the German government gave the Bank a huge credit."

1939. On Jan. 31 leave for Rhodesia, travelling by Blue Train to Marseilles. . .that afternoon leave by flying boat. . .In Salisbury meet members of Southern Rhodesia Currency Board and answer many questions. . . Get order. All this without any prices, any designs and with no competition!!! Wire office for prices. . . Work on my order but do not feel well. . .Doctor says I have 106 and a bad attack of malaria. . .Spend fortnight in St. Anne's hospital. . . 1940. We hear that a mission from the Da Afghanistan Bank is in Berlin and are coming to France and England to consider ordering banknotes. Wire Burge (a BW salesman who later became a director of the firm) in Luxemburg to meet me in Paris. He does so and we put up at the Hotel Pont Royal in very cold weather and no heating in Paris. Deal with Afghans at their Legation. They want 19 million notes and deal looks promis-

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> ing. Owing to the war I did not go abroad again in 1940 and was out of England for 12 days.

In fact, he wasn't to leave England again until 1947.

During the war Bradbury, Wilkinson was far more fortunate than its arch rival, De La Rue. The latter's main plant was completely destroyed while Bradbury, Wilkinson's principal plant at New Malden outside London was only superficially damaged. As an official history puts it: "Total loss of production was never for more than half a day, although continuous air raids harassed its depleted working force."

In addition to his job as No. 2 man at Bradbury, Wilkinson, Eric was also in charge of the home guard unit at the Malden plant. "We always had Saturday and Sunday exercises to keep them fit. . .The plant was going all the time since we got a lot of business that De La Rue might have gotten. . .in addition we also did a lot of German notes for various Allied secret agencies. . ."

Olga Gibbs, always a good organizer, became the head of the meals-on-wheels organization in her county. She also won a service medal for her work.

> 1947. On Jan. 11 leave by air for Vienna with Dick Shave (who later became chairman of Bradbury) to see Governor of National Bank of Austria who wants to order notes from us. They cannot print themselves owing to bomb damage done to the printing works. . . Present our offer of £44,000 for twenty million 100-shilling notes. Officials shocked at price and ask for credit terms on account of shortage of Sterling. We agree and spread payment over 18 months.

His diary breaks off that year. In fact, he still has the notes for succeeding years but he prefers not to make them available. He does recount a spirited bidding in 1950 in Teheran for Iranian notes.

For the first time, a rising American firm, Security-Columbian of New York was represented by a husky, energetic Old China Hand named Bill Hunt. It was the first time Eric had ever met him. "Fortunate he made a lot of money on the China notes, because he wasn't going to make a shilling in Teheran. Security-Columbian had an elaborate presentation, lots of preparation. . .only one problem: they submitted two days too late."

The Teheran bidding was a repeat of the prewar years. Eric recalls: "DLR out to get business at any cost. They were much lower than BW and Waterlow. I think we came in at £228,000 and Waterlow

was £225,000 but DLR was only £190,000. De La Rue was there in force. They had four men there including Peter Studd who was later to become Lord Mayor of London and a director at De La Rue. The bank officials take us all to lunch and I'm offered the order if I can match the De La Rue price. I explained that the £228,000 bid was our actual cost. And that since we already had the special Iranian plates and numbering wheels from previous orders, we had a certain advantage, but even then that was our rock bottom price. Obviously, the DLR price was going to be a loss-leader, designed to get the account. They got it."

In 1952 Eric was appointed Chairman and Managing Director (Chief Executive Officer, in U.S. terms) of Bradbury, Wilkinson. It was a great tribute to the 65-year-old that at normal retirement age he had been asked to take on a tougher job than he'd ever had. He served until 1958 when he was 70 and then was kept on the board of directors for another five years.

The appointment was made by Albert L. Schomp, president of American Bank Note since 1935. (Eric always had mixed feelings about Schomp. "I was grateful for the push up. I'd always murmur the appropriate things about him, but it was like trying to do the eulogy of the village miser. Schomp was simply a great bore. His attitude always was: 'I'm a simple American farmboy.' He also had terrible table manners and was pretty crass. He had to suffer terribly in comparison with his predecessors, Warren L. Green and Daniel E. Woodhull—intelligent, clever, worldly. Fine banknote men.")

Later, at luncheon at the local Bull Hotel, Eric discusses the countries he used to sell that are now behind the Iron Curtain and have their notes done by a large Czech plant in Prague—which also does the notes for Cuba and Angola. One of Eric's agents didn't skip the Communists in time: Ghitescu, the Rumanian auto dealer. "He was imprisoned by the Communists when they came in. But his wife managed to get out and we brought her to London. He had all his money in a London bank—we'd been paying his commissions into his account there—but there was a lot of red tape involved. It was very difficult for her to prove he was dead and get the money. . ."

He recalls a time when he nearly lost $2 million dollars.

After the end of World War II, Bradbury was doing the Banque of Syrie notes. "The low-denomination notes were shipped by train to Syria which was under French mandate then. But the thousands of high-value notes were in a wired, wooden cage which I was to hand

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personally to the Bank's representative in Boulogne. It was a rough Channel crossing. I perched myself on deck for the 1½-hour trip with the wooden case at my feet. As we approached Boulogne the pilot maneuvered to get into the harbor and just then a girl came along the deck. She lost her footing and was thrown against the bulwarks. Broke her arm. I jumped out of my deck chair and called for help. Then I realized I had forgotten about my $2 million case; it was slowly sliding along the canted deck and I got to it just before it was going to slide into the water. Nightmare stuff."

We talk about the foreign-language command good banknote agents are supposed to have. I know that Gibbs speaks fair French and once could get along in Spanish. "One of our best salesmen was Bernard Ellis who never spoke *any* foreign languages. Rather admired by foreigners for that."

I ask about an unverified story I'd heard a few times: how banknote Company A dislodged Company B from a country by encouraging a counterfeiter to do a massive issue of the country's notes. Then Company A's salesman was able to point out how easily counterfeitable B's banknotes were and thus got the order away from the original supplier.

Eric smiles: "One of those stories that go around and around. Still, I've often said at the office how nice it would be if we had a quiet, sharp little firm that would turn out splendid counterfeits of our competitor's notes. . .I'm sure other companies have had the same thought."

* * * *

A few days later I have luncheon with John B. Field, the present managing director of Bradbury Wilkinson. At 42 he is the youngest boss the firm's ever had. He's tall, slender, quietly handsome, with a wavy pompadour of dark brown hair.

His father was a civil servant and Field attended a local grammar school. At 18 he went to work and soon after came to Bradbury as a trainee manager, learning the business. He learned quickly, even impressively, and was regularly promoted until he became works director at 30 and then deputy managing director and finally, to his present job. He's married and has two children. He makes considerably more than Eric Gibbs ever did—inflation, of course—and has a peculiar perk that nobody thought of in Gibbs' reign: Field's family gets a special measure of security protection because of fear of kidnapping.

We lunch expansively in the company's wood-panelled executive dining room at the New Malden plant in the London suburbs. The plant is located on 26 acres of very valuable suburban land which was bought cheaply as farmland back in 1918.

In his huge corner office, redolent of the early Twenties, there is an oil portrait of a handsome former employe, Eric Noel Gibbs, Chairman, 1952-1961.

Fields catches my glance and nods: "Things are pretty different. A lot of our old customers are behind the Iron Curtain and some others, such as Egypt, now have their own plants but we still do well. Locally, we still do the notes for the Scottish banks, for the Channel Islands and for Guernsey. And by now everybody knows that we are the only private firm entrusted by the Bank of England to do their engraving work. In the old days we did a lot of postage stamps for many countries, but it's become an enormous shady business today. Philatelic agencies and all that. . ."

Bradbury does notes for Brunei, Ceylon, Hong Kong, Kenya, Singapore, Isle of Man, Scotland, among others. Also, they still do stamps for Singapore, Great Britain (high values), Gambia, Sri Lanka (Ceylon), Nepal, and the Seychelles. But a far greater money-maker is a modern form of money: travellers checks. Bradbury prides itself on being the world's largest maker of travellers checks—mainly American Express, whose work it shares with its parent company, American Bank Note. (American Express incurs the largest single, private, security-printing bill in the world for its travellers checks. About $20 million a year, according to one estimate.)

The importance of travellers checks in Bradbury's annual income is why The Shame still lingers on. In the Terrible Incident of May 9, 1970, some $500,000 worth of American Express travellers checks disappeared from the Bradbury, Wilkinson plant. It is still the largest known theft from a banknote plant. Most of the checks were eventually recovered and several men were imprisoned.

Another near form of money—the airline ticket—is also a prominent profit center. In a special plant, Bradbury has 200 employes making the intricate tickets for BEA, Swissair, Thai International, Air France, BOAC, and Saudi Arabian airlines.

Field also has problems that Eric Gibbs never had. The banknote plant was shut down for nine weeks in 1977, the first serious strike in the company's history. "We have to deal with 23 different unions and

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some chapel fathers (shop stewards) who are more difficult than others," Field says. Possibly what makes them more difficult is a peppery, Communist union sheet, "The Far Left," which appears once a month. I comment, "Well, other banknote plants also have to deal with Communist unions." He looks puzzled. "Really?" "The GOSNAK plant in Moscow, for example," I said. He manages a small laugh: "I'm sure the boss over there has more control over the union than I do. . ."

"Control" can be a sensitive word at Bradbury, Wilkinson. A beautifully printed, multi-colored sales brochure of 22 pages gives some of the Bradbury history and illustrates the notes of its more prominent customers. And, of course, a full page devoted to "Control & Security" to help offset any lingering memories of the Terrible Incident. (Routinely, banknote companies love to mail off collections of clippings to key central banks if one of their competitors has had a serious theft, disappearance of banknotes or a massive counterfeiting. Can't tell when a timely knock will do you some good.)

But nowhere in the very attractive and quite expensive brochure is there the slightest mention of the fact that Bradbury, Wilkinson is, after all, a subsidiary of International Bank Note of New York, the holding company of American Bank Note.

John Fields grimaces slightly. "Sure, some Delaruvians still refer to us slightingly as 'that American firm,' just as they did in Eric Gibbs' time. But we consider ourselves autonomous."

In fact, though, American Bank Note has much more control over Bradbury today than it did in Gibbs's time. Today, there are no more unseemly competitions between a Bradbury and ABN salesman for a country's banknotes. And to make sure that signals don't get crossed, John Field flies to New York once a month to confer with his boss, Edward Weitzen, president and chief executive officer of International Bank Note.

One evening in London, at dinner with a former denizen of the banknote world, a curious thought pops out. How come De La Rue has all the sneers, all the mocking comments about Bradbury. Doesn't Bradbury have any retorts, any effective digs? He assures me that indeed they do. In all Bradbury cables and even in interoffice correspondence, De La Rue is referred to only as "Street Walker."

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Chanel, No. 1

After the Panic of 1720, the French couldn't even utter the word "bank", and banks are still called everything else but banks in France—you have credit this and societe general that. . .—Charles Kindleberger, MIT Economist

The Banque de France is still the great exception. It's still the country's central bank—and the manufacturer of its very thin, many-hued banknotes. The man in charge is Jean Chanel, Directeur General de la Fabrication des Billets de la Banque de France.

We have a rendezvous this gloomily overcast, rainy Sunday in Wengen, a quiet ski resort in Switzerland. The attractive posters in the cograil train taking me up to Wengen lie: there is no sun over Wengen; the deep snow doesn't look velvety white. Only the mud underneath reminds you that you were not, after all, in Paris on a March Sunday.

Chanel is in Wengen on vacation. Every winter he takes time out to teach each of his 31 grandchildren how to ski. He taught his four daughters and two sons, and thinks the tradition ought to be continued. Two of his grandchildren, their mother, Chanel and his wife, occupy a suite of four unpretentious rooms in a modest hotel in Wengen.

He's 62, with straight, short-cropped silver-gray hair and gray eyes. With a surprisingly youthful smile he gets the standard family joke out of the way as an ice-breaker. "What do you think our friends said when we had our fifth child? Ah, you have made Chanel No. 5. Then, when Chanel created Parfum No. 19, naturally one friend sent a telegram: "Hurry up or there won't be any real Chanel No. 19." The same friend who invited M. and Mme Chanel to dinner in-

evitably adds: "And be sure to bring some nice samples from your factory. . ."

His factory is at Chamalieres, a suburb of Clermont-Ferrand about 200 miles southeast of Paris. It was opened in 1922 after the closing of an older plant near Paris. In World War I, the Germans had nearly reached the plant in their advance. After the Armistice, the bank decided it would be wiser to have a plant much further south and away from Paris, the natural target of any invader. In World War II, the Chamalieres plant was in the unoccupied zone of France.

Chamalieres has another claim to current fame: its mayor is Valery Giscard d'Estaing, who was the French President until 1981. The plant has 1,400 employes. Another 400 work in the paper mill at nearby Vic-le-Compte. This mill produces what is probably the thinnest banknote paper available. It is also the most expensive and wears out a bit more quickly than most. But it does have a very satisfactory Gallic rattle when new. The paper is made of cotton, linen and ramie fiber.

"Not a very large banknote plant," Chanel says. "At most, we do only 700 million notes a year." (Fortunately the French have a private backup plant, the Oberthur at Rennes. SICPA, the Swiss printing inks combine, has a 50% interest in the plant. Oberthur has 1000 employes who help turn out notes for the former French colonies as well as for the Banque de France. Also lots of travellers checks.) "But we do have 1.3 billion notes in circulation, which comes to about 25 notes each for 52 million French men, women and children. We also print notes for former French colonies such as Cameroon, Chad, Gabon, Congo and the Central African Empire. One side of the note stays the same for each country. The other side has the country's current leader. When they get killed or replaced, naturally we have to go to work again. And we do the notes for the Banque Central Africa Occidental (BCAO), which circulates in what used to be the Ivory Coast, Benin, Upper Volta, Senegal and Niger."

He smiles in recall. "When I meet the banknote people in the private sector, De La Rue and American Bank Note, I'm always asked when are we going to stop subsidizing our former colonies. Everyone knows we turn out those banknotes at a loss, a 'soft price.' Still, it is a useful accommodation to the government and I don't think the private sector can look forward to getting the business of any of those African countries."

Chanel is only slightly defensive about the fact that French

banknotes are the costliest. Partly, the problem is some fairly old machinery, but expensive paper figures in, too. "Our largest notes, the 500 franc (about $70) costs us about 45 centimes each (7 cents). I know your $100 bill costs much, much less. But then ours is, you must admit, larger and much more colorful. But even our smallest note, the 10 franc ($1.40), which we make by dry offset rather than expensive intaglio printing, still costs us about 18 centimes (3 cents). We are moving more and more away from intaglio printing. Of course, I called in our security experts before we made the move away from intaglio and they agreed that the move was allright, and the public wouldn't see or feel the difference in the notes since the paper will be exactly the same."

What helps raise French banknote costs are fairly frequent union work stoppages. Mostly, they are sympathy stoppages of 4-5 hours' duration. During the Michelin strikes not long ago, the stoppages at the banknote plant became more frequent.

Another cost factor beyond Chanel's control is a comparatively recent French banking development.

In his low, throaty voice—he could very easily do a Maurice Chevalier imitation—Jean Chanel bemoans the new development. "In my day, when I was a bank inspector people put money in the bank because it was safe. Strong. Steel bars. Thick vaults. Can you believe that today many of our commercial banks are anxious *not* to keep notes overnight in their vaults? Fear of holdups, break-ins. . .What do they do? They take their notes, in the late afternoon, for safekeeping to the mother bank, the Bank of France or a branch. Then the next morning they send an armored car to come pick up another set of notes, equivalent to what they left the afternoon before. All this makes for a much faster turnover of notes, which means we have to make more notes. We now have two shifts of employes at the banknote plant but I think it will not be long before we are working three."

Like many top officials of the Bank of France, Chanel was helped greatly by the fact that his father was a director of the bank in Grenoble. (I once asked another bank official why there was so much naked nepotism in the bank. He said I didn't understand. It was a deliberate policy of *security* : "We employ the sons because *we know who they are* .")

Chanel got his degree in Paris as a lawyer, and on graduation entered the Bank of France branch in Aurillac. In 1939 he entered

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the army as an ordinary foot soldier and was captured at Dunkirk. After 2½ months, he escaped and finally made his way back to the unoccupied zone in southern France.

"I became a counterfeiter," he grins. "I had to make my own false papers. I had to be under 17 so I couldn't be seized for labor in Germany." He stayed with his parents for several months while waiting for word from the bank if it was safe for him to return.

"Two days after I got back on the bank job, I found there was an examination being given for bank inspectors. It was a three-day matter in those days: two days for the written and one for oral examination. It was very difficult. I and one other, out of twenty candidates, passed." He also got married that year, only because a former bank rule had been changed: in the old days, bank inspectors could not marry because their jobs called for them to travel ten months a year.

He rose steadily in the bank hierarchy and in 1971 was asked if he'd be interested in becoming head of the banknote-printing works.

"Yes, you ask, how could a bank administration run a banknote plant? You see, they wanted a good administrator, not a technical man. But I would have to learn the technical side, so I put in seven months before I took over the job officially. Actually, I had visited the printing works many times as a bank inspector. A good bank inspector can learn anything, when necessary."

He took over the banknote plant after the Bojarski case, but the legend of the great multiple talents of the infamous counterfeiter still lingered. I asked Chanel if there was any truth to the folk tale that Bojarski was now working for the Bank of France. (See Chapter 19.)

Jean Chanel laughed. "Banks are not ideal places for wayward, brilliant men. Too many temptations."

He had given me a copy of a talk he gave in 1975 at the biennial European Banknote Conference in Frankfurt. It's a closed-door affair lasting several days. Only central banknote printing executives are invited. (Three private firms—Enschede of Holland, Orell Fussli of Switzerland, and Giesecke & Devrient of Germany—are also invited because they do notes for their own countries.)

Chanel's talk was "Reflections on the Security of Banknotes." He began with a candid admission:

> Whatever the technical quality of the different devices used for (banknote) manufacturing, we all know that in his field a good and well-informed specialist can obtain adequate results for the public to be unable to make any distinction between a

> counterfeited note and a genuine one: a paper maker surely knows how to make a satisfactory paper; a clever photographer how to succeed in good separation of colors; a skillful engraver how to reproduce the lines of a drawing precisely, and a good printer how to obtain a satisfying superimposition of colors. *But it is surely difficult to find all these qualifications in one person . . .*

After the talk, some of Chanel's colleagues at the banknote conference slyly commented that he just couldn't bring himself to give Bojarski credit for being the *one* person with all those technical qualifications.

Still, Chanel thinks Bojarski did do France a service, inadvertently. "His case helped move the bank toward a policy of telling the public about the features of a new, dangerous counterfeit. As you know, in the past this was never done. Now we are as open with the French public as your Secret Service is in the States. I think it is a wise policy. We even had a TV show not long ago, showing people how to detect some false 500-franc notes that were circulating."

He talked guardedly, about the "political" counterfeiting the Bank of France endured during the OAS and FALN days of the Sixties when dissident groups in France and Algeria were desperately trying to overturn De Gaulle's policy on Algeria. "There was a lot of counterfeiting by these paramilitary subversive groups. They did it an an 'instrument of war' and to help pay their expenses. Of course, they remembered what the Nazis had done with British pound notes. But what they forgot was that France never engaged in wartime counterfeiting. I know the Germans did it, the British, and you Americans too, but we never did." I was going to say that Napoleon I certainly did, but I figured that was reaching back too far, perhaps.

* * * *

In Paris I had an appointment to see a predecessor of Jean Chanel. His name is Henri Guitard, and from 1939 to 1962—an unusually long stretch—he was director of the Bank of France's printing works.

Guitard is now 84 and long retired. He gardens and reads at his home in Paris. He is short, has sparse white hair, was awarded the Rosette of the Legion of Honor, and has a striking diagonal indentation in his forehead. Like his successor, Chanel, Guitard also came to banknote printing via the bank inspector route. His father, too, had been a director of a branch of the Bank of France.

He didn't marry until he was 43 and "stabilized." In those days, bank inspectors couldn't marry much before that age.

For the U.S. Secret Service and American Bank Note, Guitard was the perennial scold at the international Interpol meetings on counterfeiters. One former Secret Service official recalls:

"He'd always been up there with the same spiel: America would always have the most counterfeits because its currency was so easy to counterfeit. It didn't have a watermarked paper, and it did not go in for multicolor prints. You'd reply that we had the most counterfeits because ours was the only truly international currency; ours was the currency people all over wanted most. And if you wanted to get in a sharp dig, you added: the reason the French franc isn't counterfeited more is—who the hell wants it."

The continual give-and-take on the question of who had the superior banknote, once led Guitard to believe the Americans were getting even with a practical joke.

"It was in 1951," he recalls. "To my office at the Bank of France come two U.S. Secret Service agents. 'You are M. Henri Guitard?' 'Yes.' 'You are the Director of the Fabrication des Billets of the Bank of France?' 'Yes, yes.' 'Have you ever been to Syria?' 'No, never.'

"They show me a picture. A young man, perhaps 28-30. 'Do you know him?' 'No. Who is he?' They look straight at me: 'His name is Henri Guitard—and like you, he is in the banknote business. . .' A counterfeiter, of course. He was making lots of American twenties and fifties in Syria. Very good notes. They admitted they were sure there was no connection between that one and myself—he was 30 and I was 53—but still, they had to make sure." The Bank of France Guitard had a lingering hunch, the U.S. Secret Service visit was really only to rub it in that this guardian of French banknote-making also had a namesake who was making a name for himself as an American banknote-maker. During World War II, Guitard was confined to Paris and wasn't allowed to cross into the unoccupied zone of southern France and the banknote plant at Clermont-Ferrand. The Nazis appointed a German to oversee the plant, which continued making banknotes for France and the French colonies.

Then in June, 1944, Guitard made his way secretly to the plant because he'd heard the Germans planned to take French currency plates with them when they retreated. "When I got there, I found that was just what they planned. This was very serious. The Germans wanted to know how many plates we had. We then used

eight plates per note, four colors on each side. And we had a hundred machines working. But apparently, they didn't have any figures, so I gave them a wild, imaginary one. I said that we had 40,000 and it would take 24 hours just to remove the screws holding the plates in the presses. They called staff headquarters. No, 24 hours was too long. Leave the press plates alone—but they wanted all our reserve plates. I had anticipated that, and while they were awaiting their instructions from staff headquarters, I quietly went to our chief of production and told him to gather up all the deformed and faulty plates we had in the vault, plus a few older colonial plates. And that's what we gave them—ten deformed plates and a few colonial plates. They put them in wooden boxes and drove off.

"I had been lying to them. Actually, we could not have taken the plates off the 100 machines." He was obviously waiting for me to ask the natural: 'Why not?' "Because," he went on triumphantly, "we had taken the plates off surreptitiously the *day before* and sent them secretly, by truck, to Le Puy, not far away."

The Germans used the deformed plates to make propaganda notes—a seeming French note on one side and on the other, a message urging French soldiers and maquis to surrender. "What a waste of time and effort," Guitard shrugs. "It is ridiculous for a retreating army to urge the enemy to surrender, no?"

Guitard is certain that the Bank of France's recent abandonment of intaglio printing for its smaller denomination banknotes is a dangerous mistake. "Yes, there is a considerable savings. But when you cheapen your nation's banknotes, the nation's calling cards, so to speak, you just make it easier for forgers. You almost invite them to counterfeit. No, it is a terrible mistake. But they don't ask me."

He is also gloomy about the chances of banknotes surviving to the year 2001. "Banknotes spell freedom for the individual. You can buy and sell at will. Money makes you free. But central governments are becoming more and more powerful. They resent the power of the banknote. It resists the tax collector; it makes tight central control more difficult. . .No, I am no longer sure that we will be permitted to have such freedom in 2001. When the freedom of banknotes go, I am afraid other freedoms will vanish, too."

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"The Definite Abolition of Money"

Systems die; instincts remain.—
Oliver Wendell Holmes, Jr.

In many ways the USSR would seem like a perfectly conventional member of the banknote world. It turns out nearly four billion well-made notes a year, with 100-rubles the highest denomination. It employs the best western technology, including 24 pieces of expensive Giori equipment. And Gosnak, the state agency that makes the banknotes even aped its capitalist counterparts by issuing, in 1969, a most decorative 150-year anniversary volume. Finally, N.P. Khrushkov, the director of Gosnak, is a son of the man who was the last Czarist official in charge of banknote manufacture.

The differences, though, are instructive. The USSR is one of the few countries in the world that still punishes counterfeiting by death. It is only one in which the subject of counterfeiting of local currency is on the permanent index of Glavlit, the Soviet consorship apparatus. The Glavlit basic work is called informally by Soviet editors, "The Talmud" but officially it is known as "Index of Information Not to Be Published in the Open Press". Naturally any references to the Index itself are forbidden. The thick volume contains more than 500 pages of quite small print. In addition to the prohibition on news of Soviet counterfeiting the list of banned subjects includes: Figures on earnings of Government and Party wokers; any comparison of the budgets of Soviet citizens and the prices of goods; any reports of increased living standards anywhere outside the Soviet camp. (The average Russian doesn't have a car, a television set or a telephone.)

About once a month Gosbank, the USSR central bank, sets the value of the ruble against western currencies. Recently the ruble was officially valued at $1.55. Soviet law forbids the import or export of the Soviet ruble but there is a lively black market in Vienna and Helsinki where you can get up to six rubles for a dollar, which in effect makes the ruble outside the Soviet Union worth only 17¢ or so.

Who buys rubles in Vienna? Presumably people who are going to smuggle notes into the Soviet Union and thus enhance their purchasing power nearly ten-fold.

Vladimir G. Treml, an economics professor at Duke University was recently given a Ford Foundation grant for an investigation into the Soviet's "second economy", the black market for goods and services. I asked him about the prevalence of Soviet rubles in the Vienna market. He wrote that much of it might be due to tricky Soviet intent:

> Some people claim that. . .counterfeit rubles are being produced outside and within the USSR by KGB for the purpose of discouraging black market exchanges of rubles for foreign currencies. . .The gullible people who would buy these rubles. . .would be arrested in the USSR and charged not only with illegal possession of rubles smuggled from abroad but also with possession of counterfeit currency. These cases (actual and rumored) have greatly reduced the black market activities outside the USSR.

And which Soviet agency would be in a better position to make counterfeit rubles than its own banknote manufacturer, Gosnak?

* * * *

The Gosnak anniversary volume provides no figures on notes printed annually—let alone production costs—but it does list the various Gosnak units in the country. These include:

The Moscow and Perm banknote plants.

The Moscow Typography which publishes volumes of fine arts, illustrated books and classic art reproductions in color.

The Leningrad and Moscow mints for the production of coins, medals and commemorative pins.

Banknote paper factories in Leningrad and Krasnokamsa.

Factories "for the production of artificial diamonds" in Smolensk and Kiev.

Besides banknotes, the security printing plants turn out all the special cards for Communist Party members, diplomatic passports

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and the hundreds of millions of internal "passports"; lottery tickets, postage stamps and official bank documents, especially bank books. In a recent year Soviet banks held more than 80 billion rubles in citizen deposits. There are no checking accounts.

In addition to controlling artificial diamonds, Gosnak is also responsible for the cutting and polishing of all Soviet diamonds coming out of the great Yakut mines in Siberia since 1955. The USSR claims that in the late 1960s its diamond production surpassed that of South Africa. The best estimate is that it sells at least $500,000,000 worth a year.

An obvious reason why Gosnak—through its International Scientific Institute—is in charge of diamond work is its intense overall security system. Leonid Finkelstein who used to be editor of a Soviet popular science monthly called "Knowledge is Power" describes the basic Gosnak banknote employe inspection process:

"On reporting for their shift workers strip naked and are inspected while proceeding down a narrow corridor. They then put on an overall-like uniform without pockets. This procedure applies to everyone, including officials seeking to enter the actual production area. After work employes take off their overalls, walk naked through the corridor again and then put on their street clothes."

Still, Soviet workers are remarkably adept at finding an angle and this resulted in the early Seventies in the great Gosnak diamond scandal which, of course, was never mentioned in the Soviet press. The first word of it came in a book, "To Build a Castle—My Life as a Dissenter" by Vladimir Bukovsky who is now at Kings College, Cambridge University. Bukovsky learned of the crime because some of those arrested were his prison mates in Lefortovo prison in the Spring of 1973. As bukovsky describes it:

> The diamond thieves case was by far the biggest at time and it's no wonder. . .an entire Moscow diamond factory ended up in jail: out of 50 people working there, 48 were arrested for stealing diamonds, and they caught masses of buyers as well. It turned out the KGB had been aware of the stealing for five years or so but had left everyone alone, hoping to find out who the stones went to, who bought them and where they were hidden. Periodically, it raked in the loot. . . One day Kosygin visited the factory, was photographed with the champion workers and foremen and handed out some sort of awards. At once the KGB pounced—it needed to prove its usefulness; to

show that you couldn't go anywhere without it. The gigantic diamond case came into existence and the factory was closed. . .

Not long ago I got in touch with Bukovsky to find out how the employes were able to steal diamonds when subject to such close body searches twice a day. He wrote me:

> I think the men were arrested at the end of 1971 or early 1972. Usually that kind of criminal case takes KGB one or two years to investigate. According to the prisoners I talked to. . .the clever method they devised made such searches useless. What they did was "grow" diamonds day after day, substituting smaller diamonds for bigger ones. The whole idea was to make a bigger diamond out of a given raw one. . .then the "difference" in carats could be "accumulated" into one easily stolen without alarming the authorities. The net result was according to planned quota—plus some extra diamonds per month. This method was made possible since the output was registered in total amount of carats. . .it could only be done by the collective effort of almost all the employes, controllers included. . .

Most of the diamonds were supposedly taken out in hollowed steel teeth of some employes. The total amount stolen came to several million rubles.

In its 150th Anniversary volume the start of the Russian banknote production is placed in an 1819 plant in Petersburg. This had its origin in the fact that in the spring of 1812 "the total of falsified Russian (notes) reached 20 million rubles, a huge sum. . .Napoleon made them as a means of achieving the economic destruction of Russia."

After Napoleon's defeat a General Betencourt, an engineer, examined the entire printing setup in Petersburg and said it was far behind contemporary European technology. In the summer of 1815 the Ministry of Finance bought land in Petersburg and Betencourt oversaw the building of note printing works as well as a fine paper plant which is still being used. It's on the Fontonka Canal in the center of Leningrad.

The next innovation came in 1886 when a Russian textile engineer, Ivan Orloff, was asked by the Russian government to "devise some machine to baffle the ingenuity of forgers". He came up with his Simultaneous Multicolor Printing Machine. . . Some 32

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were built and installed in the Imperial Printing Works of St. Petersburg. . . Orloff became head of the works and he also made a good deal of money from the manufacture of his machines in the west.

The Gosnak anniversary volume has other key dates in Russian banknote history:

> Feb. 1918. Petersburg plant evacuated and sent to Penza province and the rest sent on to Perm. . .all papers and inks lost. . .
>
> July, 1919. Peoples Commissariat of Finance establishes administration of factories for production of state security paper, Gosnak. (The acronym stands for Main Administration for Production of State Securities of the Ministry of Finance of the USSR.) Gosnak to be headquartered in Moscow and combines Petersburg, Penza and Moscow plants in one organization.
>
> 1922. Gosnak commences production of high quality Soviet currency. All paper money must only depict peasants, Red army and ordinary people.

What the anniversary volume doesn't say is that the creation of Gosnak represented a severe ideological defeat for a basic Bolshevik tenet: the total abolition of money. Originally, explained L.N. Yurofsky who was chief of the currency department of the People's Commissariat of Finance in 1925, the Soviet Government was

> "building up an economic order in which money in the old sense of the term was to be no longer required. After a period of hesitation it finally adopted a policy which was uncompromisingly directed toward the definite abolition of money.

He goes on to quote the program of the Russian Communist Party adopted at its 8th Congress in March, 1918:

> The Russian Communist Party aims at carrying through a number of measures which will extend the sphere of moneyless settlements and prepare the ground for the abolition of money.
>
> In 1920 the position still was,
>
> Money as the only measure of value no longer exists. . . in the next few years money will lose its significance as a treasure and will only remain what it actually is. . . colored paper.

But by 1922, he goes on, "the need for a stable currency became so widespread and insistent that its satisfaction could no longer be delayed." And in November, 1922, Gosnak began issuing its first cur-

rency, turned out on the old Orloff machines in Moscow.

The contradiction of the early money abolitionists and the realities of economic life—under capitalism or state socialism—still nag at some Soviet economists and every now and then they "explain" the problem. One of the more recent exegetes was Dr. Alexander Birman, an approved Soviet economist whose effort appeared in the Sept. 1977 issue of *Soviet Life* . This is a flossy Soviet propaganda organ intended solely for foreign distribution. He titled his article: Socialism and Money: Are They Compatible?

> Lenin wrote that money cannot be abolished overnight—it "must take many years". . .But why should it be abolished?. . . The reason is that socialism is developing into communism, i.e. a social system in which all material and cultural needs will be fully met without any restrictions whatsoever, a system in which everything will be turned over to personal or public use at no cost. Money will no longer be needed. Why is money still needed now, 60 years after the Socialist revolution? The main reason is work. Daily work has not yet become for everyone a vital need like food, rest and relaxation. Second, society does not yet possess a sufficient quantity of goods for them to be distributed free, according to one's needs. . .

Understandably Dr. Birman couldn't even begin to explain why the USSR not only needs paper rubles but a second parallel currency, *hard* rubles. In his popular 1976 book, *"Russia"* , Robert G. Kaiser explained:

> For six to eight rubles one can buy a one-ruble coupon valuable in special hard-currency shops which sell goods not available for ordinary " soft " rubles.

In addition Russia has an ultimate form of currency, galaxies beyond hard or soft rubles. Only the higher figures of the Soviet establishment have access to the really good medical clinics and hospitals; to certain kinds of autos; to a fuller selection of western consumer goods; for apartments in better-built buildings; better schools; meat and out of season vegetables. As David K. Shipler, a former New York Times Moscow bureau chief put it recently:

> Like money, the access to privilege can often be passed on the heirs; unlike money, it can be taken away at the whim of the state. . .There is so much that money cannot buy in the Soviet economy that cash has only limited value in setting living standards. . .

* * * *

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During the early stages of World War II, Gosnak evacuated its main Moscow banknote plant to Tashkent where crews worked around the clock in 12-hour shifts, seven days a week. By 1944 all returned to Moscow. In 1960 Gosnak erected a new plant in Perm—to which no foreign visitors are ever allowed—and the old war-time Tashkent plant has also been reactivated. The mysterious Perm plant, depicted in the anniversary volume, is a huge, square five-story concrete structure surrounded by housing for its 6000 workers.

"All the improvements in the machinery come from the workers" the volume boasts. There is no mention of the Giori machinery used extensively in all the Gosnak plants. To maintain the illusion the Giori machines there have been fitted with a special name plate which labels them "Orloff Intaglio", implying that they are just the latest models of the machine invented by the Russian engineer in 1893, rather than the product of a very capitalistically-minded Swiss.

Within Gosnak there are other occasional reminders of the Czarist past. One western visitor to the Moscow banknote plant was curious about the quite small, narrow doors that led from one section to another. They called for stooping when going through. A plant official said they were that way in Czarist times and didn't elaborate. Later the western visitor raised the question with a former central bank official. The ex-banker smiled seraphically.

"For the Czarist officials the small doors were a means of security control. Perhaps the small doors have been kept because they would be a good means of keeping an insurrectionary mob from swarming into the place and taking control. Remember, the Soviet leaders know how they attained power; they assume that some other groups, some counter-revolutionaries might try the same tactics. Why remove the small doors?"

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Regnant Ragpickers

So long as a man rides his hobby horse peaceably and quietly along the king's highway, and neither compels you or me to get up behind him—pray, Sir, what have either you or I to do with it?—Laurence Sterne

Quite suddenly, there are some 25-30,000 serious paper-money collectors in the world. They desperately need a proper name because their more numerous cousins, the coin collectors, insist on dubbing them "rag pickers." So some of the paper-money hobbyists have begun calling themselves "syngraphist," a Greek and Latin neologism created by a university Classics professor.

Timid collectors try the new word on friends and they sometimes get a sly: "Hey, that means you're a pornographer. . . Graph means writing and syn means. . ." Still, the word is a mite better than another neologism created for the hobby by the British philatelic firm of Stanley Gibbons: Notaphilist. (In 1864 a French stamp collector named Herpin created "philately" to describe his new hobby.)

One of the best-known money collectors is a shrewd, bustling Londoner named Yasha Beresiner, who used to work for Stanley Gibbons. (He had nothing to do with "notaphily.") Yasha was head of their rare maps department. He's also written a couple of books on paper-money collecting and many articles for the surprisingly numerous collector journals.

At one time this former Israeli had tried to combine paper-money collecting and dealing—but didn't succeed. Yasha explains why: "I get a beautiful item and two months later someone sees it and wants it at twice what I paid. The dealer in me says, Sell, but the collector

growls, Never! So I hold it and hold it and that's the way a dealer can starve to death—even as he's feeling high about possessing the marvelous rare item."

In his London home one night after dinner, he took me up to his den. He wanted to know why I wasn't a collector. (To collectors the rest of us are strange creatures—clearly neurotic and incomplete. Only by collecting *something* can we be restored to psychic health.)

Hadn't I *ever* been? Well, stamps as a youngster. *Nothing* since?. . .I do have a lot of offbeat reference books. . . Yasha dismissed *that* . Was there any piece of paper money I'd come across since researching this book that I would really *love* to possess?

Well, yes. There was one note that had aroused some vaguely acquisitive feelings. I told him about a French note originally issued in 1938, although it had been created and printed in 1891. It had four colors and was probably the largest. . .

Yasha held up a hand, smiled broadly. He went to a desk drawer and came up with a clear acetate envelope containing what collectors call Type 1918, 5000 francs. I'd seen the note only twice and was captured by it each time. Mainly because the reverse side creates an entrancing time-machine effect: several symbolic characters out of a distant golden age are on a marble colonnaded balcony, an idealized togaed worker, Mercury at left, Cupid and agricultural products at right. They are surrounded by a globe, papyrus, books, a scythe. The scene is framed by two marble columns and a legend's throw beyond the columns is modern Paris. It's the time-machine juxtaposition that fascinates me. As do the three lettered boxes that warn the would-be counterfeiter of the penalties. The front of the note has three more such boxed warnings. Six in all. I suppose I also enjoyed the Gallic overkill.

Yasha approved my taste. "A beauty. Maybe the most expensive of all French notes. An uncirculated note—what collectors call Gem condition—might cost $5-600. Wouldn't you love *owning* it, showing it to friends, other collectors, looking at it long and lovingly?. . ."

I said it really was the *scene* on the reverse side that captured me, not the note itself. In fact, what I would love to have was a faithful blowup of the time-machine scene, about one foot by two feet, for my office wall. I'd love *that* .

Yasha regarded me a trifle sourly. "And that's *all* you'd want?" That's it, I said. There was an only slightly hidden effusion of disgust as he shook his head sadly. "This great, beautiful note, this lovely

rarity, and all you want is a blown-up copy of one side?" I was cowed but I said, yes. He sighed again. "Okay, you'll never be a paper-money collector. But do yourself a favor. If you ever discuss this note with other collectors, don't tell them what you'd really like to do with it. It's like telling the owner of a Rembrandt: hey, friend, never mind the picture—but that's sure a great frame around it."

When he drove me back to my hotel, after having overcome the enormity of my paper-money philistinism, he said if I wanted to study paper-money collectors to find out what made them tick, the man to see was a Texan named Amon Carter, Jr., of Fort Worth. As a dealer, Yasha had helped Carter acquire a number of rare items. In the collector's world it was generally accepted that Amon Carter probably had the world's finest private collection of paper money, worth possibly $10-15 million.

* * * *

The most convenient place to see Amon Carter—and a lot of other collectors—was at the International Paper Money Show in June at Memphis. It is sponsored by the Society of Paper Money Collectors, one of the more than a dozen international collector groups.

The collector-dealers fill more than 100 small tables in the 100-yard-long convention hall of the Holiday Inn-Rivermont Hotel of Memphis on a bluff overlooking the Mississippi. The place is heavily guarded and admission to the "bourse" is by special pass only. Before seeking out Carter I wander around the floor and it doesn't take long to notice that (1) paper-money collectors are heavily male—and often heavy males. The sedentary nature of collecting? There are a few wives sitting alongside their husbands at their tables, but this is very much a male domain. (2) Most collectors prefer to use postoffice box numbers for their addresses. Why make things easier for crooks by telling them where your collection is? (3) You and I handle paper money casually every day. They don't. Their collector items are kept individually in clear acetate envelopes and they remove them for closer inspection with tweezers.

Amon Carter Jr.'s table is No. 64, a preferred spot near the entrance. His sign says, "Amon Carter, Fort Worth," and in the glass-covered flat case on the table his credentials as a serious collector are quickly apparent. First, there's a $10,000 bill, issued by the Dallas branch of the Federal Reserve System. Next to it are a $5,000 and a $1,000 note, the high-denomination notes that the U.S. Bureau of

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Engraving stopped making on July 14, 1969. That's for openers. *Real* collectors would know quickly that Amon's most valuable item is an odd-looking, older $500 bill issued by the First National Bank of New York. It's worth, he thinks, between $75-80,000. "Bragging stuff," he smiles. "I get a lot of tongues hanging out. A real collector sees some of my items and his adrenalin starts."

Carter is 62, average height, half-glasses, less hair, and probably has a perpetual waistline battle. He's a rare chain smoker—cigars. Mostly he nibbles at his Montecruz 210's but says he'll smoke anything. He's well-tanned and looks out on the world, as Mark Twain once put it, "with the calm confidence of a Christian with four aces."

True, there's the continuing problem of being the son of a legend, the late, great Amon Carter, "Mr. Fort Worth," and publisher of that city's daily, The Star-Telegram. One of his long obituaries in 1955 said that his "rare combination of showmanship, artful buffoonery and open-handed generosity virtually made Cowtown Fort Worth a city. Dressed in his ten-gallon hat and cream-colored polo coat, Amon Carter sang Fort Worth's praise all over the world while passing out silver dollars, hats, 100-lb. watermelons and boxes of pecan nuts for remembrances as he went along."

Clearly a tough act to follow but the pressure to do so has eased greatly since Amon Carter, Jr. and 23 other private stockholders sold their interest in the newspaper, a Fort Worth radio station and a TV station for $115 million to Capital Cities Broadcasting in 1974.

"I'm still publisher of the paper—have been since my father died in 1955 and mostly what I do for the paper is public affairs, labor negotiations, general fronting. And collecting."

What he likes about paper-money collecting is that it's "very soothing. When I go through my collection at night, why it's damn therapeutic."

What motivates a collector? He's thought about it and has decided that there are two key elements:

1. Searching for the unexpected. "There are still items out there we know were printed, but no one's ever seen."

2. The joy of filling in gaps in your collection. The other side: a true collector is *devastated* when he fills in every gap in a particular collection. He's finished. Empty. Sad.

He also thinks collecting is connected with longevity. "A lot of serious collectors seem to go on into their late eighties, nineties.

Maybe it comes out of the orderliness you need when you're a serious collector. You lead an orderly life, you live longer." He's married and has three grown children.

It was easy to come by the collecting habit in his family. "Pop collected Remington art and guns. Sure, I fooled around with stamps and coins as a youngster but what really get me on the path of serious collecting was a long stretch of enforced idleness in World War II. Twenty-seven months."

He was a second lieutenant in the First Armored and was captured at Kasserine Pass in 1943. "Remember that early scene in 'Patton' when he tours the battleground where we suffered a bad defeat? That's where I was captured. Kasserine."

The POW camp was in Poland and what the men would have loved to collect most was food. "I lost 50 pounds in the camp. We were always hungry. First you try to get your mind off food, but it's almost impossible. I used to torture myself with the missed opportunities of my life. Not what you think. I used to visualize in detail all the drugstores I knew in Fort Worth and then I'd think of all the malts and sandwiches and hamburgers I didn't order when I had the chance."

When the drugstore images became vaguer, he decided to start collecting again. He began gathering varieties of the military scrip the camp used.

A collector comes over and offers Amon an old 1000-peso Colombia note. Amon studies the note quickly under a Tensor lamp, using a magnifying glass and handling it with tweezers. "Yeah, I don't have it. How much?" The collector smiles briefly—small victory: Amon Carter doesn't have *this* note—and says, $800. Carter takes out his wallet and pulls out eight $100 bills.

Carter nods after the seller leaves. "Being No. 1 collector means I get first shot at the high-powered items that show up." But generally it turns out that he already has the offered item.

A collector is seeking an item Carter has. I notice that his acetate envelope containing the note has a few capital letters pasted on a corner. Carter explains: "Everybody has a code word on the envelope. Usually a ten-letter word. BLACKHOUSE is good. Each letter stands for a number and you know how much to charge without the potential buyer knowing it. In theory, anyway. It isn't hard to break these codes. What I do is just raise my prices ten percent in advance. Then when it comes to selling, why I knock off my

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price 10% and I'm a good guy, a nice fella."

Another collector approaches Carter's table. "Anything for sale?" "Sure. Everything's for sale. What are you looking for?" The visitor smiles broadly. "One of your ten ems." Carter winces for a millionth of a second. "How much you figure?" The visitor thinks he might go to $12,000. Carter breathes easier. Not even close. "Hell, I wouldn't take $15,000. How would I replace it?" The would-be buyer leaves and Carter talks about the very mixed feelings his two $10,000 bills engender in him.

"One of the notes I got when the Chase Bank Money Collection was given to the Smithsonian. The bank naturally wanted to get money for items that had a real current face value, so I was able to buy the $10,000 and a $5,000 bill. I think I only paid face value plus postage. I got my other $10,000 bill from a North Carolina bank. Paid them face plus $750.

"Okay, that gives me two notes and I think the only other place where you'll find more is at the Horseshoe Casino in downtown Vegas. They have 100 of the ten-thousand notes, encased in plastic inside a huge metal horseshoe right at the entrance. They got their notes back in 1954. A great display item, but it costs. They pay about $3,500 a year for the insurance. Then there's a million bucks sitting there, not earning a dime; well that costs them today a minimum of $150,000 a year at 15%. Then if you want to get real technical, a $10,000 note picked up in 1954 would only buy less than half what it did then. So you're out that, too. What the collector has going for him, above and beyond those negatives, is probably someday the notes will become damn valuable, several times their face. But as long as those 100 Vegas notes hang over the market, the price appreciation is going to be slow."

I was jotting down some notes so I missed the next visitor, at first. He had shown Carter a Territories of Western Samoa note—I didn't catch the denomination—printed by Bradbury, Wilkinson before World War I. Turned out it was a note Carter didn't have. (He did have a £5 variety which is worth about $2,500.) Carter made an offer for the note but the collector, a New Yorker in his mid-thirties, shook his head: "Come on, Amon, let me enjoy it six months before I sell."

When he left, Carter answered the questions I looked. "Why show it to me if he wasn't ready to sell? Well, first, to announce that he has it and I haven't. Second, to whet my appetite. He knows I'll be thinking of that note for the next six months and maybe the more I think of

it, the more I'll be ready to pay when he wants to sell."

As we talked, Carter made it clear that buying and selling items at conventions like this one wasn't the way he'd built his collection. ("I picked up about $6,000 worth of paper at the meeting," he said later.) Most of his items came much easier, because he had been taught by one of the great collectors of the century, William A. Philpott, Jr., who lived in nearby, despised Dallas.

Ostensibly, Philpott had made a modest living as secretary—editor and general factotum—of the Texas Bankers Association for 57 years. When he died in 1971 at the age of 86—"that longevity thing I told you about"—he left a $2-3,000,000 estate, Carter estimated. How come? Well, he was probably the biggest stockholder in Dr. Pepper. He got his original 1,600 shares at $1 a share and when he died it was worth $64 a share, and he had tens of thousands as a result of a lot of splits. He also left a lot of fine money specimens.

"Hell, Philpott was Mr. Paper Money in his time, particularly in U.S. notes. Just as well he died when he did. He'd go out of his mind today to see the crazy prices some of his prized items are now getting. He once sold me four sets, at fifty bucks a set. The Educational Notes. You know what they're worth now?" (It's only a rhetorical question. You don't know that, you don't know *anything* about paper money. This U.S. silver certificate Series of 1896 is generally considered to be the handsomest ever produced by the Bureau of Engraving. They came in three notes of $1, $2 and $5. The engraved allegorical representations on them were (1) History Instructing Youth; (2) Science Presenting Steam and Electricity to Industry and Commerce, and (3) Electricity Presenting Light to the World. Well, the set of three notes, gem condition, face value $8, is now going for $15,000. And more.)

Philpott, a former reporter and night editor on the Austin *American* in Texas, didn't start collecting until 1929. He was also a star athlete, a fine gymnast, and an avid golfer who was able to shoot his age right up to his 86th birthday.

As secretary of the Banker's Association, Philpott made many friends in the right places—for a collector. Middle-level Federal Reserve officials.

"He had lots of friends at the Dallas Fed," Carter recalls. "Good friends. Also at the St. Louis Fed. They'd let him in and he'd pick out rare U.S. notes. He'd pay face value for the notes, of course so everything was on the up-and-up. Sometimes he'd come across two

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fine, similar items after going through several thousand bills. He'd take one—again paying face—and on the other he'd make a little tear in the corner so that for collection purposes it was valueless." Philpott always remembered his friends. Every year before Christmas, hundreds of crates of large Texas grapefruits were sent.

"You've got to have good friends to get good items. All the banks in Fort Worth call me when they come across some scarce note. Of course, I pay. Generally face plus 15%-20%. Clear profit for the bank right away. Hell, in the old days, smart assistant cashiers getting $3-4000 a year were making a lot more than the bank presidents. One I knew averaged $50,000 a year because he was always on the lookout for rare notes or coins. Sometimes you grab an opportunity when you can. I was once on an official trade mission to Australia with John Connally. They were just changing their currency from pounds to dollars and I was able to get into the central bank and pick up at face value a lot of the odd notes coming through. Real beauties.

How-to paper-money instruction from Philpott, the collector-dealer, didn't come cheap. "You wouldn't fuck with him. He'd offer you a piece and a price and that was it. Like the diamond syndicate. You couldn't pay him right away? 'That's all right, my boy. You'll pay me when you can.' And you did. You knew he was getting his rare notes at face value and he put on hefty markups but they were great items so you bought. And you learned. He was a spellbinder."

Philpott, in turn, had learned from an even older collector, George H. Blake of Jersey City, N.J. Most of his adult life, Blake had been just an auditor for a leather company, but many consider him the true father of U.S. paper-money collecting. His 1908 booklet, "United States Paper Money," is a valuable rarity today. It was from Blake that Philpott learned the importance of having friends in middle-level places, particularly if they worked in the Redemption Bureau of the U.S. Treasury. (More collector longevity: Blake died in 1955 when he was 97.) Blake helped form the great paper-money collection of Col. E.H.R.Green (Hetty's son). The huge accumulation was sold for $4 million after the colonel's death in 1942, although its face value in U.S. notes was about half that.

When Amon Carter talks about the breakup of big collections, he naturally thinks of his own.

"I tell my circulation manager that he can thank me for at least fifty out-of-town subscriptions to the Fort Worth *Star-Telegram* . Paper-

money collectors. They get their paper, scan the front page, and chuck the paper in the garbage. Just waiting for the day the publisher dies, figuring rightly that'll be on page one. Then they'll scoot over to Fort Worth and see what they can get out of my collection." (He was right. When he died of a heart attack on July 24, 1982 he made the front page of his paper. He was 62.)

Paper-money prices are going up sharply, but Carter resents the fact that paper money is being sold "as an investment." "You get big ads all over, with a few firms pushing paper-money Keogh Plans and what not. . . a lot of fast shuffles are taking place. Hell, those guys don't get any fun out of it. They're sucking up all the air in the room."

Before I leave, he looks at me appraisingly. "Maybe we can still make a collector out of you. Start with this." He gives me an old check once issued by Heck & Co., furniture dealers of Elmwood, Indiana. What distinguishes the check, issued about 1885, is that it has a vignette of old man Heck himself. "It's gonna be a big field, old checks. I'm into it. Particularly the ones with the vignette of the bank founder or the firm's president on the face."

Later that afternoon I meet another prominent collector, J. Roy Pennell of Anderson, South Carolina. He was a Seabee in World War II and now has a flourishing concrete-block company. Pennell, short, engaging, 57, has been collecting since 1938. He, too, has a useful in. "My offices are over a bank. We're friendly. They give me a key and let me go in to look at their vault notes for combination numbers and signatures on notes I need. I pay them face value. What I look for are notes issued by any of the 78 South Carolina national banks that used to have their names on Federal Reserve notes. Got all of them, even the little bank of Woodruff, S.C., which had only $80 out-standing when its old notes were called in." He tells me about an old-time Westinghouse electrical repairman he knew, who used to have free run of the presses at the Bureau of Engraving in Washington where he managed to pick up prime items and proofs. Paying for them, of course. "Things were different in the old days. Much looser. A lot of hanky-panky by Bureau engravers. They'd run off extra proofs of new bills for themselves. Used to be, an engraver died, fifty collectors would descend on his widow next day." The proofs are prime collector items today."

* * * *

Wandering around the tables on the trading floor, I see several freak notes are being sold or traded. Dollar bills with serial numbers

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upside down; a bill that's $20 on one side and $10 on the other; a $5 bill with a blank reverse side. Some collectors love them even if they have widely varying reasons for their existence. A New York collector is convinced it's some kind of racket: a few freak notes are let out but insiders are holding on to the real juicy ones. A Mississippi collector says, "Hell, what can you expect. All those black women inspectors at the Bureau of Engraving. . .they make 'em turn out the stuff so fast that they don't know what they're doing half the time. . ."

* * * *

A friend, Larry Adams of Boone, Iowa, a collector of old checks, sent me dozens of back issues of "Paper Money," the bimonthly publication of the Society of Paper Money Collectors. In going through them, I was impressed by how much time and thought had been put into some of the more scholarly articles on esoteric collector items. (How about 6,000 words on "Mules and Changeover Pairs?" A "mule" is a U.S. note with a different size plate check numbers on the face and back. And "changeover pairs" are two consecutively serial-numbered notes that change signature series.)

I noticed that a man who was consistently winning top "Literary Awards" for his papers in "Paper Money" was a Richard E. Dickerson of Pasadena. One of his articles, "Style and Design in French Banknotes" had particularly impressed me with its depth and readability. So, when I was in California I arranged a visit.

Dick Dickerson is professor of chemistry at California Institute of Technology and the author or co-author of six textbooks in chemistry, biochemistry and biology. He's 50, tall, brown-bearded, and moustached. He lives with his wife and five children in what used to be the farmhouse of an old orange grove.

"I started collecting in 1970 after hospitalization with ulcers. My doctor said I had to take it easy. Some advice for a compulsive! Actually, I'd once started collecting when I was in high school back in Illinois. For some reason, I got hooked on German inflation notes. Well, I dug up my old album and saw that I missed a lot of big-denomination notes such as the 20, 50 and 100-billion marks. So I started looking around and got in touch with a German expert, Dr. Arnold Keller, and then I really got interested and finally got all the missing notes and there was nothing left, so I did a couple of long papers for "the Currency Collector." Suddenly, the notes began to appreciate in value. I felt a little apprehensive about keeping them in the house and rented a safe-deposit box. But then there was no daily

pleasure in looking at them. So I sold the collection to an Iowa surgeon for $10,000. I put the money into a swimming pool which did more good for our five kids than the banknotes did. Also, for the esteem my wife had for banknote collecting. After the $10,000 came in she got very tolerant."

He's thought a lot about the psychological makeup of collectors. "My German collection was never a source of ego gratification. But it is, for the doctor I sold it to. Collecting is surrogate fame. . .here you are, a routine citizen, sick of your routine job. But when you come home to your collection you know you are the world's foremost expert on the banknotes of Utopia, or wherever."

I asked about his detailed, almost magisterial study of "style and design" in French banknotes. How long did it take?

His wince was a comic exaggeration. "I put in two years, on and off, on that paper. Maybe five hours a week. Say 400-500 hours." There was an extended pause of profound respect. "A lot of time. One of the texts I did took 18 months of part-time work; a freshman chemistry book took four summers. It has to be a labor of love, that French banknote thing. And took more time because the Bank of France people are very touchy when you start asking questions about the existence of proofs of different notes and stuff like that. A few years ago they got in touch with all the big collectors in France and asked them to turn in the trial notes for a museum that was being set up. Of course, all those trial notes and proofs had to come from Bank of France engravers. When the bank got all the trial notes from the collectors, they were destroyed. The museum story was a lie."

Dickerson, clearly a compulsive collector, has since gone from banknotes to (1) satirical coins and tokens of the Franco-Prussian War to (2) double-headed satirical medals of the Reformation in southern Germany, and now (3) "I have become a fanatic about opera. Recordings. Four versions of 'Turandot,' that kind of thing."

He concluded with: "You have to avoid becoming a bore on hobbies. That's why collectors of the same thing get friendly: they're willing to listen to one another even if nobody else will."

* * * *

As the number of paper-money collectors grow, so does the avidity to create special banknotes for the collectors. Late in 1976, James R. Mancham, Prime Minister of the Seychelles Islands in the Indian Ocean—a tiny, new state of 107 square miles and 61,000 residents—was in London. He walked into the offices of Stanley Gibbons, one

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of the world's major stamp and paper-money dealers, and announced that he was, to put the matter plainly, available. Once the bracing frankness wore off, the Gibbons people warmed to a nice little idea. Gibbons had 500 sets of the Seychelles banknotes with Mancham's portrait on them. The prime minister would autograph each note and the sets, with a face value of about $20, would now be sold at £40 ($80 then). They were, with ease. Gibbons gave the prime minister $20 for every set he signed, so that a little morning's work netted the PM about $1,000. His prescience was useful. He was overthrown a year later.

It wasn't a totally original idea. It simply took the Jamaican scheme one step further. If ever an overcrowded, under-capitalized third-world island needed to make more money, it was and is, Jamaica. In 1976 a government minister, impressed with the sharp rise in the number of banknote collectors, wondered if his government's Treasury couldn't *sell* banknotes that would never come back to Jamaica to be exchanged for goods or services. In short, banknotes that would be pure profit for the government, apart from production costs. So, Jamaica turned to an American firm that had been marketing Jamaican postage stamps to young collectors all over the world: Paramount Coin Company of Englewood, Ohio, which employs 115 and is considered one of the largest firms in the business. Paramount liked the idea and added a few touches. The announcement in 1976 offered collectors uncirculated Jamaican notes in sets of $1, $2, $5 and $10 denominations with matching serial numbers from 1 to 5,000 preceded by a star and "Series 1976" printed below. The serial numbers are printed in red to distinguish these collectors' sets from Jamaica's currency notes where the numbers are in black.

The regular Jamaican notes are printed by De La Rue of London. So were these, of course. The set of four new notes, in a leather folder were offered to collectors for $35. Since the face value was $18, the collector was paying almost twice face value. (In fact, he was paying considerably more. Jamaica's currency has been devalued on the world market because of the nation's inflation.) The 1976 series of 5,000 sets were sold. In 1977 Paramount brought out another 7,500 sets and sold many but not all. Then a year later they did 6,250 double-note sets—two notes of each denomination—for $59. It sold even less well. (At the Memphis Paper Money Show, sets of the early years were being offered at $15 per set, or just about face value.) On

the three batches Jamaica probably netted $440,000. (De La Rue charged Jamaica 20 cents each per note for the extra work involved in the serial numbering.)

Inevitably, the Jamaica-banknote venture suggested an even broader possibility to Franklin Mint, the mass purveyor of special gold and silver medals and other expensive memorabilia. In May, 1978 Franklin began offering collectors current banknotes from twenty different nations. The one difference is that these are "Specimen" notes, which means they can't be used as currency. But at the same time, the "specimen" notes are sold to collectors at far less than face value. For example, a set of Gibraltar's colorful 1-, 5-, 10- and 20-pound notes totally 36 pounds, have a face value of about $70 but Franklin is selling the set to collectors for $12.50. Other countries that will be issuing "specimen" notes for collectors are Malta, Sierra Leone, Eire, Tonga, Swaziland, Ghana, Bahrain. What these have in common is that their banknote maker is also De La Rue of London. (Ordinarily, "specimen" notes—so-called because the word, in half-inch-high letters, appears across the front of the notes—are issued for the use of other central banks to familiarize themselves with the new currency of a nation. And for Interpol to aid it in its anti-counterfeiting coordination efforts.)

According to Franklin Mint, it has garnered more than 11,000 subscribers, each of whom has agreed to take up to 20 different country sets of specimen notes at $12.50 each. "We consider it a successful program," says Norman Braun, the firm's public relations director.

But De La Rue is unhappy with the adverse publicity it's gotten almost from the start of the program. De La Rue originally intended to issue specimens of 36 of the countries whose banknotes it issues, but now they've decided to cut it down to only 16 and are intent on phasing-out the scheme as soon as they can.

The reason the program activates deep-seated alarm sensors in serious collectors is not just that Franklin Mint, with the well-paid assistance of De La Rue, is marketing some 80 pseudo-banknotes for $250. No. The serious collector who recalls historical precedents, fears the whole scheme because he can see a replay of a cunning, hobby-destroying racket that was born just about a century ago. Then, too, it took a banknote company to make it possible.

Even today, Seebeck is one of the dirtiest words in the stamp collector's vocabulary. Unlike boycott, it hasn't yet become a noun or

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verb. And that may be as much due to the fact that collectors are uncomfortable with and comparatively mute about the Seebecks of the past; they're frightened of the enormous international racket it has become in our time. Since it is increasingly profitable, legal, and widely practiced, it almost certainly will grow further. There is an awful lot of money in modern Seebecks. Perhaps as much as $100 million a year.

"There is no doubt that when Seebeck commenced his operations," writes Herman Herst, Jr., a leading dealer and prominent philatelic historian, "he did not realize that he was bringing such disgrace upon his name that as long as he lived he was never forgiven for it. Even today his name is synonymous with philatelic prostitution."

His full name was Nicholas Frederick Seebeck and he was born in Germany in 1857. He was brought to New York as a boy and clearly was a bright, young hustler; by the time he was 19 he had how own stamp and stationery shop in lower Manhattan. From one of the few pictures of him, he appears to have been a rather handsome fellow with flat, blond hair, thin-lipped, with a level gaze out of narrow eyes.

He married early and his brother-in-law, Ernest Schernikow, was an even more successful businessman. He was a big exporter to Latin America and as a kind of useful hobby, he was also the unpaid Salvadorian Consul in New York—just as banknote-maker Siegfried Otto is the unpaid Honorary Consul of Mexico in Munich today. (see Chapter 5.)

The two men saw their first opportunity in 1884 when they invested in the recently reorganized Hamilton Bank Note & Engraving Company of Brooklyn. It had produced stamps for the Dominican Republic and the State of Bolivar in Colombia. Seebeck became Secretary and general manager of the reorganized banknote form. After a long trip through Latin America, Seebeck came back to New York with his scheme fully fleshed. He made a deal with the Scott Stamp & Coin Company to help market the products he was going to develop.

In 1889, Seebeck was able to persuade El Salvador, Honduras, Nicaragua and Ecuador to play his cost-free, no-lose game. They gave him and Hamilton Bank Note Company 10-year contracts to supply them with all their necessary postage stamps *without cost*. Seebeck would get the design made and print whatever number the

governments desired. Each year there would be a different design and the previous stamps would no longer be valid. Any unsold stamps would be turned over to him each year for sale to collectors. Certainly a very generous arrangement, particularly for these small, impoverished countries, most of whose residents couldn't read, let alone write letters. Seebeck's generosity had a price, of course. The plates used for the stamps would be his forever. Once the stamps were more than a year old, he was free to turn out as many as the market would take.

Very soon, millions of shiny, unused El Salvador, Honduras, Nicaragua and Ecuador issues began flooding the market. Scott Stamp & Coin was the main wholesaler and they sold the stamps at about a third of face value. The stamps were handsome and Hamilton Bank Note was proud of its output. But stamp-collector purists soon began denouncing the issues as fakes because they were never intended to be used postally.

By the time he died in 1900, at 43, Seebeck was surely the most anathematised man in philately. By collectors, mainly. Fellow dealers were profiting from a sure, low-cost source of colorful postage stamps for their packets. Even before Seebeck died, the valuable contracts were not renewed. Seebeck's brother-in-law and partner, Ernest Schernikow, became president of Hamilton Bank Note which still was able to issue large numbers of stamps from the old plates in its possession. But the firm was suffering from the opprobrium which hundreds of thousands of collectors were heaping on the banknote company for its role in the racket. Finally, in 1911 Schernikow agreed to destroy all its Seebeck plates in the presence of several leading philatelists. But the collectors didn't know that the original dies and transfer rolls for the stamps still existed. Eventually, these were bought by a Swiss stamp wholesaler in 1925 who continued churning out the old issues for innocent, young collectors.

In 1946 Hamilton Bank Note got back in the stamp business with an airmail issue for Honduras, but this was done on a normal one-time basis. The issue had been negotiated by Nicholas' son, August C. Seebeck, then a vice-president of the banknote firm. But the competitive pressures of the postwar world were too much for Hamilton and, in 1951 it was absorbed by a growing firm, Security-Columbian, which had thrived during World War II by its enormous output of currency for Chiang Kai-shek's China. The orders were secured by the firm's demon salesman, Bill Hunt, later to become president of

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Security-Columbian. (See Chapter 8.)

The Seebeck story would be a shameful but comparatively unimportant philatelic footnote if it hadn't become the template of a very profitable racket greedily seized on by dozens of countries, old and new. Seebeck's simple approach has been by-passed long ago by dozens of so-called Philatelic Agencies. It is now a complex, very clever operation. Its excesses have made some banknote companies leery of even competing for postage-stamp issues for many countries.

Today there are at least 75 countries that depend upon their philatelic agencies for an important source of national income. Indeed, for some small lands that got started earlier, such as San Marino, Andorra and Liechtenstein, the sales of stamps to collectors around the world is perhaps their most important source of income. But even much larger countries, such as the Soviet Union, Poland, Bulgaria and Czechoslovakia, play the game avidly.

Seebeck realized belatedly that his big mistake was in marketing his stamps in an uncancelled state. In an unused, bare state his stamps bore the invisible mark of infamy. When his stamps were sometimes used postally, they fetch high prices, particularly when they're still on the envelopes in which they were mailed. Learning from this mistake, the modern philatelic agency now cancels the new stamps lightly before they are assembled in those "5000 all different" packets that young collectors love. Those "cancelled" stamps, of course, never see postal use.

Why stop there? Collectors love odd varieties. So a lot of countries' stamps are deliberately left unperforated and are sold at a premium to specialist collectors.

To John Field, the managing director of Bradbury, Wilkinson of England, "the whole thing's become an enormous, shady business. We used to do stamps but no one wants to pay the old prices anymore. It's become pretty brazen. The Minister of Philatelic Sales and his Philatelic Agency in London or New York, work out to a really fine point how many stamps will be printed and what percentage will actually be turned over to the issuing country for postal use—generally 3% or less—and even how many deliberate misprints and errors will be made; what percentage of stamps will have a deliberate miscolor; how many will be imperforate. . .And this isn't done once a year. There are some small countries that bring out 40-50 issues a year, and there's one predominantly illiterate Middle-East

country for which its wide-awake philatelic agency has provided more than 100 new stamp designs a year."

Organized stamp collectors have tried to combat the racket by labelling the new suspect issues. *The American Philatelist* , for example, calls them "Black Blot" issues. Not long ago, they placed in that category most of the stamps of Albania, Antigua, Bahamas, Barbados, Bhutan, Burundi, Cook Islands, Czechoslovakia, East Germany, Ecuador, Equatorial Guinea, Grenada, Guyana, Hungary, Liberia, Malagasy, Malawi, Maldive Islands, Mongolia, Panama, Paraguay, Philippines, Poland, Rumania, St. Vincent, Sierra Leone, Togo, Tonga, Trinidad & Tobago, the USSR, and Yemen.

You can call the stamps "wallpaper" or "labels" or "album weeds" but somehow, young collectors don't listen, or read, and go on acquiring sets for $2 that may have cost the issuing country and its philatelic agency 4 cents to print and market. For example, everyone knows young collectors love animal stamps. So for years, the Iron Country lands and a lot of new African countries turned out endless series of cats, dogs, birds, large mammals, and fish.

* * * *

One day in New York I talked to Carmine Motto, now Deputy Commissioner of Public Safety of White Plains, N.Y. Motto is a great brandname in the world of counterfeiting because for a long time he was the U.S. Secret Service's great and *only* undercover man. As a result, he is the law-enforcement officer who personally knew more counterfeiters than anyone.

He mentioned the one time he was warned off a case—by the head of the U.S. Secret Service, Urbanus E. Baughman. "It was a funny case," Carmine said. "We got a tip that there's a character over on the West Side of New York operating an offset machine in a basement. We checked it out and what he was making was a lot of postage stamps for some place called South Moluccas, which I never heard of, but it seemed like a legitimate foreign country, and maybe this was a counterfeiter." (In the current Scott Stamp Catalog, under South Moluccas, the following appears: "On the basis of information received from the Republic of Indonesia, it appears that stamps of the so-called Republic of South Moluccas were privately printed and had no postal use. Accordingly, they are not recognized as postage stamps.") I filed a report on it but Baughman warned me to stay out of the matter. He said I had no business 'digging into the internal affairs of a foreign government.'"

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The man Carmine Motto was going to arrest was a "big, sandy-haired Irishman. Funny name: Finbar Kenny. I wonder what happened to him. . ."

What happened to Finbar Kenny was that he has become rich and is an internationally-known specialist much sought after by foreign countries that want to make money by cultivating stamp wholesalers and dealers.

His spacious, expensively-appointed offices are on the 35th floor of 666 Fifth Avenue. Getting into the offices of Kenny International Corp. isn't easy. The massive, locked doors are opened only after you're screened by a remote TV camera. You are then admitted into a glassed-in vestibule, also locked. If you pass muster, a secretary finally admits you into the suite of offices.

At 64, Kenny is tall, lean, nearly bald, with heavy eyebrows. He vaguely recalled Carmine Motto but didn't want to talk about the old South Moluccan stamp incident. He did talk fairly freely of his worldwide operations. In addition to the expensive New York offices, he has another set of offices in Los Angeles. He and his wife—they've been married 27 years—have an apartment in Manhattan and a luxurious home in Palm Springs.

I asked about the unusual name, Finbar. "Gaelic," he explained. "My father, Paul T. Kenny was an inventor. Had some 950 inventions to his credit, including the Big Bertha artillery piece the Germans used in World War I. My father had offered it to the U.S., but they turned it down. Well, in 1914 my father was in London and it turned out there was a well-known German spy also named Paul T. Kenny around. My father was arrested by mistake and when he was released he resolved that his children would have very distinctive names. I got Finbar; my older brother is Dumont Francis."

Finbar started as an assistant book buyer for Macy's in New York before World War II. "I was also in charge of the stamp department we ran. My first contact with the world of special stamp issues came when the Liberian Consul in New York came to me in 1941 seeking advice on his country's first airmail stamps which they planned to issue for the first flight from New York to Monrovia, Liberia. I drew a stamp for him, a kind of map incorporating New York and the Atlantic Ocean and Liberia, and suggested how many sets they ought to make. He followed the advice and I remember that the first sets retailed for $25. Those sets are now worth about $5,000 each. I didn't make a dime out of it. Never was a stamp collector."

During the war, Kenny was in the Air Force, rising to Captain in the Pacific. When he got out, he says, he "dabbled in management" and gradually got back into the stamp world.

"Of course, I knew a little about 'managing' stamp issues. There was the classic case of the Spanish consortium of the early 1930s, when King Alfonso ran the country. This Spanish group got permission from the King to turn out some 230 different stamps for Spain, which would be printed at the group's expense by Waterlow & Sons. They'd include the Goya nudes, the Columbus triangles, and all that stuff. The deal was, the government would have the right to sell these stamps at their postoffices for three days. Then the consortium would get to sell the remainder to stamp wholesalers. No one knew how many stamps were made—somewhere between five to ten million of them. I remember the Columbus set, for example, was sold to dealers at $15 per 100 sets. So a dealer could get a set for 15 cents which he probably sold for 40-50 cents to collectors, mostly kids. Which meant there were a lot of these cheap sets going into youngsters' albums. But the youngsters grow up, lose interest in collecting and go off to college and one day their mothers come across the old albums and decide it's just cluttering up the house—so they either give it to the Salvation Army or just throw it out. Most of these sets disappear from the collector market. As a result of the loss, along comes 1981 and there's a real shortage of those Spanish sets. Those damn things are now worth $50 per set."

His arrangement with a country—and he's acted for several dozen at one time or another—is that he gets 15% of the revenues the country receives from commemorative stamp sales. Just what does he do?

"I guide them. I tell them what the world market is. I might suggest ideas for stamp issues. I line up security printer for them; I arrange a firm price and date of delivery and make sure there's no fooling around with unauthorized issues from the plates. And finally, I suggest how big an issue to put out so it will all be absorbed. The UN used to turn out issues of five million stamps and wondered why four million weren't absorbed. When I suggested that they cut their issues to only one million, they found every stamp was taken without trouble. Seems terribly obvious, of course, but someone has to suggest it."

The idea of a country making money by its stamp issues for collectors is an old one. Kenny shows me the report from a U.S. postal of-

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ficial in 1892 discussing the complaints received from some collectors about the 16 stamps issued for the Columbian Exposition in Chicago. "The new stamps," he wrote, "will be purchased in large quantities simply for the use by collectors, without ever being presented in payment of postage; and the stamps sold this way will, of course, be a clear gain for the Department."

(The series of eight Columbian commemoratives—all bearing engraved scenes out of the explorer's life—was printed by American Bank Note, the last U.S. stamps done by a private firm, except for the Overrun Countries series put out in 1943-44, also by American Bank Note. ABN turned out some three billion Columbian commemoratives and the full set, in unused condition, which cost $16.34 in 1892 at any post office, is now worth more than $10,000.)

The "clear gain" of unused stamps has motivated many countries such as San Marino, and Liechtenstein—which Kenny has "guided"—and Vatican City which he estimates makes $7-10 million clear profit on its many stamp issues.

"Naturally every country tried to get into the act," Kenny says. "It seems like such easy extra money. Yes, there are some 15-25 million stamp collectors around the world, with perhaps a million in the U.S. Up to 1914 there used to be about 65 new stamps issued every the year by different countries. But since 1946 there's been 130 new stamps *every week* of every year. No one can afford to be a world collector any more. I figure the face value of special commemorative stamps issued all over the world is at least $2 billion. But the market can absorb only a fourth. The other three-fourths? Most of them have to get burned. My job is to make sure my clients don't have to burn stamps."

Another important service for his client-nations is to arrange matters so that the new stamp series quickly goes up in value. "Yes, I know collectors say they collect for the joy of it and all, but let's face it: the collectors feel even better when they know that a set they've just acquired has gone up in value soon after they bought it."

How do you *make sure* a new set of stamps goes up in value soon? "Take a small country that used to be a British colony. I suggest a series honoring the anniversary of Queen Elizabeth's coronation. I estimate that the set will have immediate sales of 60-70,000 sets just on the basis of prior announcements by mail to steady customers, most of whom are wholesalers or dealers. Then I estimate that another 90,000 sets will be ordered individually after-

wards. Fine. So we decide to order only 100,000 sets. To make the sets more desirable, we print them on a small sheet of five stamps to the sheet. Collectors love them. Beautiful margins. Lots of white space. Now we get orders. Dealer orders 10,000 sets and sends us a certified check for them. So we send him only 3,000 sets and a refund. Now he knows the stamps are hot. So values jump immediately. Meanwhile, other dealers start ordering and pretty soon they find the issue is sold out. So the market shoots up again. Incidentally, the dealers pay face value of the stamps like everybody else."

The cost of printing stamps is low. "In small quantities it might start out at three-fourths of a cent, but once you get up to quantities of say, 100 million, the cost might only be 15 cents per 100 if done in photogravure which is the cheapest method. Might be a little more, if done in offset: say, a half-cent each. Austria still does all its stamps in intaglio, like banknotes, and naturally that's the most expensive but few countries still do it that way."

Ordinarily, Kenny goes on, he prefers to keep a very low profile. "Foreign countries don't like to admit they need foreign—particularly American—advice." So Kenny was all the more distressed when he made the world's news columns in the summer of 1979. He did that by becoming the first victim of an action brought by the U.S. Department of Justice under the Foreign Corrupt Practices Act. This was passed in 1977 to outlaw American corporate bribery of foreign governments.

Kenny's firm, Kenny International, pleaded guilty to one count of violating the anti-bribery law and paid a $50,000 fine. The case stemmed out of the fact that Kenny's firm represented the Cook Islands, a self-governing territory of New Zealand consisting of eight tiny islands with a total population of 18,000. Through Kenny's firm, Cook Islands in a recent year sold $1½ million worth of its many new stamps to collectors. The stamp sales provide the islands with one-fifth of its budget. Since 1963 the Cook Islands have brought out some 450 different stamp issues, a new one every other week.

In 1978, Sir Albert Henry, the country's prime minister, was in a tight race for reelection. There were a lot of Cook Islanders living in New Zealand, 1,800 miles to the southwest. So, Sir Albert personally chartered six Boeing 737s to fly home some 500 supporters. Where did he get the money? From Kenny International, said the Department of Justice. Nonsense, said Kenny. He never paid a dime. The money was simply taken from one Cook Island Postal Administra-

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tion account and put into another which the Prime Minister had access to.

Sir Albert won the election. But a few months later a local Cook Island court ruled that the election results were tainted by the imported voters and Sir Albert was out of office.

At first, Kenny's lawyers urged him to fight. "They said, it's the first prosecution, let's make a test case. I was all for it, determined; my conscience was clear. Then I started adding up. I couldn't afford that much justice. So we settled for the $50,000 fine. Originally, Justice wanted a million. Still, the bureaucrats did me in. It was a bad rap all around and I was pretty disgusted that with all the big airplane-bribery cases involving hundreds of millions, they decided to make me an object lesson." He showed me the editorial comment of the *Wall Street Journal* on the case:

> It shows how easy it is for this kind of campaign to degenerate into plain triviality. . .And it shows how the new U.S. anti-corruption activism can be just as distinct an intervention in other nations' public affairs as the old style business-as-usual has been. . .

Still, the situation wasn't a total loss for Kenny. "Within two weeks some four different countries phoned me and asked how they, too, could become clients. And in the New Zealand legislature there were suggestions that the country could do a whole lot better with its stamp sales if it was turned over to private enterprise, like mine."

Yes, Cook Islands is still a valued Kenny client, new prime minister and all. You don't drop a firm that can make you one-fifth of your national budget, just like that.

* * * *

Recently, a retired stamp wholesaler agreed to talk about business if I wouldn't name him. "Everybody talks about victimless crimes. This one is even better: there's no crime; the victims like being victimized and there's a fortune of money in the business. No one forces collectors, young or old, to buy the new issues. They're interested in Franklin D. Roosevelt? Right away, quick, thirty countries, pushed a little by their philatelic agents, bring out Roosevelt memorial issues. The same for Churchill. Shakespeare's anniversary coming up? A dozen countries that didn't exist in his time, suddenly bring out stamps honoring him. I won't even talk about bringing out the stamps of countries that don't exist at all. That takes a little more balls, but except for some dirty looks from *The American Philatelist* and the

Scott Catalog, who cares? Youngsters have all those spaces to fill in their big birthday-present albums. So Finbar Kenny got caught. Hell, if you figure the fines he's out is just a casualty-insurance premium for acts of God and governments, you can get an idea of how much is being made here. A fortune of money."

* * * *

Another banknote firm that deplores the current racket in the stamp world is a reformed sinner: Joh. Enschede en Zonen of Haarlem, the world's oldest security printers. At its great plant in Holland, Enschede does the currency for six countries including its own, and the stamps of nearly forty.

In 1911 Enschede became a sinner—for $35,000. Back in the 1885-96 period it had printed postage stamps for the transitory South African republic of Transvaal. After the Boer War, it became a British colony and then in 1910 part of the Union of South Africa. Naturally, the old Transvaal stamps' value rose sharply. In 1911 a Parisian stamp dealer named Hadi persuaded Enschede to turn over all the printing plates of the Transvaal stamps plus a number of undelivered stamps. The firm took the $35,000 and Hadi promptly began turning out lots of Transvaal reprints, much to the despair of collectors who had the original issues.

The transaction resulted in a bitter Enschede family dispute. "It's something no one wants to remember anymore in Haarlem," says a former Enschede executive. "Like a scoundrelly ancestor who brought shame on the fair family name."

Perhaps as a result of the Transvaal experience—the reformed sinner praying louder than the rest of the congregation—Enschede prides itself on refusing to take part in any of the stamp shenanigans that a lot of other security printers engage in.

N.C. de Groot van Embden, the current managing director of Enschede—he's the first non-Enschede to head the 278-year-old firm—thinks that the no-nonsense attitude of his firm may explain why it still has 40 countries as stamp customers. "With 170 countries in the world today, we have to think that these countries want our solid reputation behind their stamps."

The Enschede reputation is enhanced by the fact that the Dutch PTT—the government department governing posts, telephone and telegraph—actually supervises the Enschede runs of foreign stamp issues. The situation arose because Enschede does Dutch stamps, too, and draws stamp paper from the Dutch PTT. The governmental

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agency also verifies Enschede's withdrawal of stamp paper for other countries, too. "So we can tell customers: you'll know exactly how many stamps we run and how many you get. An incorruptible governmental agency will be the watchdog. You can't get that service from any other security printer, can you? We got the ultimate accolade recently: for the first time in history, the British Post Office had an issue of British stamps printed outside England. We got the order. Now collectors will be trying to figure out which Queen's head stamps we did, and which were done by the British supplier."

* * * *

Some banknote collectors worry about these philatelic intrigues because with the Jamaica and the Franklin Mint issues they see a distinct possibility that their field may be equally threatened. A few are agitated because American Bank Note, in conjunction with Time-Life, recently undertook to market reproductions of 19th-century notes made by American Bank Note. The copies are made from the original engraved plates. The series will include military scrip, stock and bond certificates, and railroad passes. On the reverse, each note will be labelled as a reproduction.

Eric P. Newman of St. Louis, one of the best-known and most scholarly of U.S. numismatists—he is also executive vice-president of a large store chain—thinks that "promotions of this kind are detrimental to numismatics. Whenever you set up an artificial or contrived issue you are inviting a destruction of collector morale."

Another banknote collector asks, "How much further does American Bank Note have to go before they're persuaded to turn out 'authorized reproductions' of some great banknote rarities they've turned out in the past? From there, it's only a crooked little step before the engraved copies somehow start appearing on their own without the explanatory 'Reproduction' on the back. You do enough of that, and lots of banknote collections are really threatened. The one thing we should have learned from the current stamp agonies is that all these cute gimmicks start out small and innocent. Then, watch out."

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PART II:
TROUBLEMAKERS

Dirty Secrets

"You understand that this mission doesn't exist, nor will it ever exist."—Obligatory line for World War II suspense films

On Thursday, September 12, 1940, President Franklin D. Roosevelt's appointment diary shows that he had a 12:30 meeting with "Mr. John Steinbeck and Dr. Melvyn Knisely."

John Steinbeck was the popular author and Dr Knisely was his German scientist-friend. As Steinbeck wrote later,

> We put our heads together to devise a weapon which might help destroy Hitler's Nazi regime and Mussolini's Fascist state. . .The qualities our weapon required were these: it must increase the pressure of the State on the people beyond the breaking point. It must work from within, not from without. And, finally, it must not be effective against us. On this basis, we made our weapon —perhaps more frightful than the hydrogen bomb, and far more penetrating and subtle than chemical or germ warfare . . .We took our weapon to President Roosevelt. . . We had rehearsed our speech so we wouldn't take too much of his time. Finally we finished and waited. The room was very quiet. Suddenly the President opened his eyes and banged his chair forward. He was laughing: 'This is strictly illegal,' he said, his eyes shining. Then he added in a low voice, 'And we can do it! Why, for the cost of one destroyer we could send Italy spinning. For the cost of a cruiser we could have Hitler on a hot stove lid.' He picked up a phone and asked for Secretary of the Treasury Morgenthau.

'Henry,' he said, 'I am sending two men to you with an idea. Listen to them and tell me what you think.' He was still laughing when we went out and I must say we felt pretty good and pretty important.

In the Roosevelt Library at Hyde Park, N.Y., are also the papers of Secretary Morgenthau who had been Roosevelt's old friend and neighbor in New York State's Hudson Valley. Morgenthau seems to have kept nearly every document, and summaries of all the rest: meetings, proposals, letters. He also kept stenographic transcripts of his more important phone calls.

On September 12, 1940 Morgenthau's trusted aide, Herbert E. Gaston, assistant Secretary of the Treasury from 1939 to 1945, wrote a long memorandum for his boss about the Steinbeck meeting. Gaston, who had once been night city editor of the old *New York World* , was now in charge of supervision of the Secret Service, the Coast Guard, and the Bureau of Narcotics. He had worked for Morgenthau long before the latter became Secretary of the Treasury. His memo went:

The operator called me on the phone at 2:40 today and asked me to come to your office immediately, which I did. You said you had just had the most extraordinary telephone call from the President. The President had John Steinbeck with him. . .the President said Steinbeck had proposed what seemed to him like a grand idea—it was to arrange to counterfeit German currency in large quantities and arrange to have it introduced over Germany. You asked the President to have them come over and see you. You remarked to me that you didn't think you ought to let these people leave with the idea that the Government would countenance such a scheme. The gentlemen arrived shortly afterward. . .Dr. Knisely undertook to be the spokesman. . .He thought the most effective action to defeat Germany would be to manufacture large quantities of German currency in the small denominations ordinarily used for household and pocket money and have this money dumped into Germany. He suggested that it be scattered by British planes. . .He went into some detail about how samples of the present German currency could be analyzed with the best skill in the U.S. and how counterfeits could be manufactured which would defy detection. You asked who would manufacture this counterfeit currency. Dr. Knisely said the

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> American Bank Note Company might do it. . .As to moral objections, it was more immoral to commit murder but war was wholesale murder. . . You suggested that since it was proposed to have the British get the counterfeits into Germany the matter was one which should be taken up with the British. . . since it was the Treasury's responsibility to enforce the law against counterfeiting, the Treasury was really the last place to bring a matter of this kind. . . You told Steinbeck that you did not like the idea and frankly considered it crooked; that it was the kind of thing that we might expect Germany to do but doubted that the British would do it, and you pointed out that we were not at war with Germany. You told the group that Lord Lothian was coming in this afternoon and if they wished you would mention the fact that they would like to see him. . .They left your office about 3:10 p.m.

Well, Steinbeck didn't get to talk to Lord Lothian. President Roosevelt did, passing on the Steinbeck proposal. On the evening of September 12—very fast for Washington—Lothian was dictating a memorandum to Secretary Morgenthau:

> The suggestion that counterfeit Reichsmark notes should be dropped from aeroplanes over Germany was exhaustively considered by the British Government some time ago. . .it was thought that this would be regarded by the world at large as a particularly odious and dishonest method of warfare. . .
>
> The fact that such notes were being dropped would certainly be known without delay to the German authorities. . .it would not be difficult for the authorities to organize the collection by Party or official organizations of the notes dropped, and to frighten the population so that they would not dare to collect these notes and retain and use them themselves. . .
>
> Even insofar as the population were able to retain and use such notes the effect would probably be disproportionately small. In Germany nearly all goods are either rationed or simply not obtainable; the holders of these counterfeit notes would not be able to spend them to more than a limited extent and it is probable that they would flow to a considerable amount into savings bank accounts, etc. The German Government could increase their borrowing from these banks, and decrease their borrowings on the market. To overcome these objections. . .would require the scattering of counterfeit notes on

such a large scale as might be beyond the capacity of the Royal Air Force . . .

Lastly, if Great Britain started this method of war-fare and Germany retaliated in kind, it is not improbable that the effect on Great Britain, where we have not the same totalitarian methods of government, might be greater than the effect on Germany.

All very cogent and soundly analytical. That was the end of the Steinbeck matter. In his later account of the turndown, Steinbeck wrote that President Roosevelt consoled him: "Killing is all right, and you could attack religion with some impunity, but you were threatening something dearer than life to many people. . ."

Still, wars—especially desperate wars such as World War II was—change minds and hearts, and on February 19, 1942 (we had been in the war barely two months)—the newly-appointed Coordinator of Information, William J. Donovan, had an interesting proposal for the President. The Coordinator was still four months away from becoming Director of the Office of Strategic Services but he and his staff were already thinking very big. Donovan's memo ran:

A proposal has been made to adopt a scheme to distribute spurious money throughout Italy in the following manner:

1. Lira notes in appropriate denominations, numbered and signed to appear identical with those in current use, should be manufactured in large quantities in the United States. Some special chemical should be included so that the notes can be so processed as to be readily identified.

2. These notes would be distributed throughout Italy and all Italian-occupied countries. Different methods could be used for this, including distribution by airplane.

3. Simultaneously with the distribution, an intensive publicity campaign should be started. The Italians should be invited to look at their money and decide for themselves which is good and which is bad. The Italian would know that there was a deficit in this year's budget of 30 billion lira, so the money circulated by his own government is of dubious value but if he has the money circulated by the democratic powers then he has something of value because this could be redeemed upon the overthrow of the Mussolini government. . .

The one feature in this proposal that distinguishes it from other proposals in history is the element of redemption. I

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> thought. . .it might be interesting to see what had been done in other wars by this weapon. I am attaching a brief summary of historical research.

Unfortunately, the summary was both inaccurate and quite misleading.

> Legitimate governments have rarely resorted to counterfeiting except to create purchasing power for an occupying army. There is only one authenticated instance of a belligerent government's dissemination of counterfeit currency in order to inflate the currency and disrupt the economy of its enemy. This counterfeiting campaign, conducted by the British Government against France in 1794, is generally regarded as having failed.

The memo went on to tell how William Pitt, Prime Minister of Great Britain, sanctioned the printing of large quantities of French *assignats* in England. Curiously, the memo omitted the fact that Napoleon got even a few years later. He had his Chief of Police, Joseph Fouche, later the Duke of Otranto, get an engraver and printer to secretly turn out hundreds of thousands of British pound notes. They were distributed through neutral ports such as Hamburg, and in England through the help of secret French agents. Napoleon, like Morgenthau more than a century later, felt that this was most undignified and took extreme measures to keep the stratagem secret. Papers proving Napoleon's implication in the plot were offered by the engraver's impoverished daughter to Napoleon III in 1852. He paid her a lot of money and kept the papers hidden to protect his uncle's reputation.

But even stranger was the memo's omission of an instance closer to home. In 1777 the British forces in America, under the command of General Sir William Howe, deliberately encouraged the counterfeiting of banknotes issued by the Continental Congress, the revolutionary government representing the embattled American colonies. As Thomas Paine was to write bitterly, in an open letter to Howe:

> You, sir, have abetted and patronized the forging and uttering of counterfeit continental bills. . . You, sir, have the honor of adding a new vice to the military catalogue; and the reason why the invention was reserved for you, is because no general before was mean enough to even think of it.

(General Howe was wrongly credited as an innovator. If we want

to get at the true beginning of the device, we probably have to go back at least three centuries. In 1531, when Niccolo Machiavelli wrote: "Though fraud in other activities be detestable, in the management of war it is laudable and glorious"—he may have been thinking of the great Duke Galleazo Sforza of Milan. When the Duke was at war with Venice in 1470, he massively and expertly counterfeited Venetian money. Venice and her bankers were hit hard.)

Still, omitting the Continental currency operation from the Donovan memorandum simply may have been a pardonable desire not to damage Allied relations. In February, 1942 there were still many Americans who didn't like Great Britain for one reason or another.

The Donovan memo goes on to tell of the counterfeiting in the Russian civil war of 1918-22; how both the Reds and the Whites counterfeited each other's currency. Then it briefly described various official Hungarian government counterfeiting schemes directed first against the Czechs (1920) and then against the French (1925).

In 1923, according to the Donovan memo, during the Franco-Belgian occupation of the Ruhr Valley (1923),

> . . .the French seized one or more printing establishments employed by the German government in printing paper currency for the use of French occupation forces. The effect of the French mark issues is impossible to assess, for Germany contributed heavily to the economic chaos in the Ruhr area by shipping in quantities of marks to finance passive resistance and disrupt Franco-Belgian economic exploitation.

Finally, the Donovan memo concluded,

> . . .so far as is known, Germany has not used counterfeiting as a weapon. In addition to the natural fear of retaliation, Germany's position in Europe would militate against any effort to inflate the currency of the occupied countries. Germany's present objective is to exploit the economics of the subjected nations, not to destroy them.

(In February, 1942, the fledgling Coordinator of Information couldn't know of Operation Bernhard because it did not come into existence in Berlin until May, 1942.)

There was one other important omission in the political use of counterfeit by one nation against another. In 1928 Joseph Stalin approved a counterfeiting operation by the GPU and by the German

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section of the Comintern to turn out bogus U.S. $100 bills in Berlin. Several hundred thousands were passed—a surprising number in Havana's casinos—before the notes were spotted. Stalin aborted the operation when he realized it would place Soviet secret agents abroad in jeopardy.

Still, not mentioning this operation in the Donovan memo was a matter of discretion. The Soviet Union was now (in 1942) a splendid U.S. ally. Why stir up old ashes?

But the most fascinating omission in the Donovan memo was the fact that in World War I Great Britain had engaged in a considerable counterfeiting of Imperial German currency. But Donovan couldn't have known of this; chances were that even Lord Lothian, the British Ambassador, hadn't known of it. Until 1970, this had been one of England's darkest military secrets. The full revelation came with the publication in 1970 of the wartime diaries of Maurice P.A. Hankey who, in 1916 became Secretary of the British War Council. He began keeping his extensive diaries in 1915. On January 25, 1916, he recorded this:

> Montagu (Deputy Governor of the Bank of England) called on me to explain a scheme of his for placing forged German banknotes in circulation, in which I promised to try and help. It appears that the Governor of the Bank of England (Walter Cunliffe, later Baron Cunliffe) with the knowledge of the Chancellor of the Exchequer and Prime Minister, has produced some marvelous forgeries. It seems a rather dirty business, but the Germans deserve it and Napoleon used to do it. There is some reason to suspect that the Huns have already played this game on us.
>
> His next day's entry goes
>
> I called on Captain Hall (Capt. Reginald Hall) Director of Naval Intelligence at the Admiralty and asked him to help in the banknote scheme. . .

More details on the operation were provided by Herbert G. de Fraine who for twenty years had been head of the Bank of England's note-printing works. He was told by Cunliffe, that the bank was going to make "imitations—in plain English, forgeries" of "certain German documents." In the 1950s when de Fraine, long retired, was dictating his memoirs to his daughter, he still couldn't bring himself to say in plain English that he had forged German banknotes; hence the euphemism, "certain German documents." His account goes on:

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(Cunliffe) said that I and my deputy, S.B. Chamberlain, were to place all the resources of the Printing Department at Captain Hall's disposal, also that this was highly confidential and that the three of us—three, no more—were to share this secret between us. . .We were fortunate in being able. . .to free accommodation and seal it off with double iron gates. . .we recruited sixteen men, all old servants of the Bank. . .the completed documents were nailed down in ordinary wine cases. . . We delivered the goods. . .by taxi on Sunday mornings, always to Captain Hall himself. . .Although we made these deliveries for a year or two, we knew no more at the end than at the beginning about the motley crew working for him, and had only the haziest idea of what his organization might be doing. . .

* * * *

By July, 1942 the U.S. had embarked on its first major counterfeiting operation in World War II. This was the forging of Japanese Occupation notes used in various Far Eastern territories held by Tokyo's armies.

Dr. Stanley Lovell, chief of the newly-formed OSS dirty tricks department, recruited a paper expert, Kimberly Stuart; Major Willis C. Reddick, a master printer, and a "Major Kelly," whom Lovell describes in his book *Of Spies and Strategems* , as "the finest engraver in the country." Lovell got clearance from the U.S. Secret Service and arranged for active cooperation from the U.S. Bureau of Engraving. But more importantly, he needed the okays of Morgenthau and President Roosevelt. As Lovell tells it:

Morgenthau said, 'You come over here tomorrow at eleven o'clock. If I say "The President has a cold and I was unable to see him on your problem" that means he allows you to go ahead full speed. If I say "I took the matter up with the President and he refuses authorization" that means exactly what I say.'

The next day, Lovell goes to Morgenthau at eleven. There are ten other government officials around a conference table. Then:

As I entered he turned to them and said, 'Excuse me, gentlemen; this is Dr. Lovell of the O.S.S.' Swinging around to me he said, 'Now on that matter you asked me about, I was unable to see the President for approval because he has a cold. Do you understand that, Dr. Lovell?' I said, 'Yes, I do, Mr.

Secretary, and thank you.'

Dr. Lovell had the needed permission to set up his counterfeiting plant, but at the same time.

> I suddenly realized how utterly exposed I was. If anything misfired, if our forgeries were to be discovered. . .and a wave of criticism loosed against such 'un-American' activity, then Secretary Morgenthau had more than a dozen witnesses to say he had *not* taken up my problem with President Roosevelt. If anything went wrong there was but one sacrificial goat. . .me.

(His feelings were remarkably like those of his opposite number in Berlin, Major Bernhard Kruger, who had just been told by his superior, Walter Schellenberg, head of the Nazi Foreign Intelligence Service, that there were to be no written orders in confirmation of the plan to counterfeit British pound notes.)

By July 20, 1942, Secretary Morgenthau was a little worried. Yes, President Roosevelt had okayed the counterfeiting operation and on that basis he had Lovell go ahead with the clever code message given in front of ten witnesses. Still, if something happened, was there any *paper* to protect him, Morgenthau? So, on this July day in Washington, Morgenthau is on the phone with Milo Perkins, head of the Board of Economic Warfare and the talk is carefully recorded as follows:

> H.M., Jr.: Milo?
>
> Perkins : Hello, Mr. Secretary, how are you?
>
> H.M., Jr.: Fine. Milo, for your protection and mine, have we got anything from the President in regard to that. . .currency matter?
>
> P: You mean in writing?
>
> M: Yeah. I could have sworn I had a memo from him but I can't find one.
>
> P: Well, I haven't got anything from him in writing, but—I'm willing to take the full responsibility. . .
>
> M: Well, I don't. . .I have nothing. . .I have nothing in writing between your office and mine, have I?
>
> P: No, because we haven't wanted to put it in writing.
>
> M: Yeah, I see.
>
> . . . . . .
>
> M: Well, you see the Crane Paper Company wouldn't give up the paper unless I personally signed the letter. Did you know that?

P: Yeah, I can understand that. (laughs)

M: Well, I've signed the letter, at last.

P: Good for you. (laughs)

M: I signed it, but then—then I was just trying to see what I had around here. I haven't got anything. . .

P: Yeah, but we don't have anything in writing except. . .We'd hesitate to ask the Boss to put it in writing. . .

M: Well, okay.

Both men, wise in the ways of bureaucracy, even wartime emergency bureaucracy, knew it was often fatal to go against the cardinal rule: CYAWP—cover your ass with paper. But there was to be no covering paper. The counterfeiting would just take place.

Now that Secretary Morgenthau had gotten over his original aversion to the idea of wartime counterfeiting, I was curious as to why the original Steinbeck proposal—massive forgery of German currency—had never been undertaken.

One day in London I spoke to Miles Copeland, who had been for many years a veteran CIA officer; before that he had been in the OSS.

"Oh, sure," he said, "everybody in OSS had the idea: let's counterfeit German notes. And everybody must have done a memo to Donovan about it. But then word leaked down that counterfeiting German notes was out. Why? Well, as I got it from Allen Dulles, there was an agreement between us and the Germans that neither of us would counterfeit the other's currency. The funny thing was that it didn't seem strange to me. I mean the agreement. After all, about half the people early in the OSS were out of banks, and bankers stick together. Still, there was a lot of grumbling from OSS people who thought counterfeiting was a good idea. They'd mutter, it's okay to kill people, but not to counterfeit. Hey, it's some war. And stuff like that."

Later, in Washington I checked with Allen Dulles' biographer, Howard Roman, but he'd never heard of the "no-counterfeiting" agreement from Dulles. In New York, Henry S. Morgan, who had been chief OSS financial officer, also said he had never heard of any such agreement. "If indeed there was such an agreement, Allen Dulles never talked to me about it."

In Springfield, Ill., Willis Reddick, who had been the chief counterfeiter for the OSS—money, passports, ration books, identification, etc.—cleared up the mystery.

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"Yeah, early in the game I did get an order from my boss, Lovell, to go ahead and do German currency. But by then I had begun to lose a little respect for Lovell. Frankly, I thought he was a bullshitter. For one thing, he called himself Dr. Lovell and he had never gotten a Ph.D. Well, I figured maybe he was just talking off the top of his head, so I went down for a little talk with some people at the Bureau of Engraving. I said we were exploring the idea of flooding Germany with counterfeit Deutschmarks and what did they think? They thought I was crazy. They did some figuring for me on how much it would take to make any kind of impression in a country the size of Germany, how many millions of notes we'd have to do and that sort of stuff. When you got right down to it, even if the notes could be turned out on their presses—they'd have had to stop making U.S. currency to run off all the German notes needed—the delivery problem was hopeless. We'd have to be sending bombers day and night all over Germany for weeks and weeks and letting them hurl out bales of money. And then all the Germans would have had to do is issue a new series of notes and our stuff would be dead. It wouldn't be cheap, either. Just making the notes would probably run $10 million."

I asked about German money for our agents, going into Germany. "No problem. The French underground got all the German money we needed. They'd knock over paymaster trains and such."

(Actually, that stage wasn't reached until late 1943. Before that the OSS depended on bribed and friendly neutral diplomats leaving Berlin with unsearched bags containing German marks. The Nazis prohibited the exportation of money from Germany.)

Willis Reddick and his British counterpart, Ellic Howe, also were in charge of turning out sizable quantities of German and French counterfeit postage stamps. The fake stamps were used to post Allied propaganda messages inside Germany and France. Dutch laborers who daily crossed the border into Germany, would post the letters, in some cases. In others, British or U.S. bombers would drop facsimiles of German mailbags, filled with stamped letters containing propaganda, after a bombing raid. Surprisingly often the mailbag would be found unharmed, and distributed by the postal authorities who assumed it was one of theirs.

Besides money counterfeiting, World War II saw an enormous production of propaganda notes by both sides. Early in the war, the Nazis dropped cheaply-made facsimiles of British pound notes over

Egypt. On the back was a message in Arabic: "This note was worth 20 shillings but now not even a beggar would stoop to pick it up." It went on to predict that not only was the British pound falling, but so was the British Empire. In 1944, the British dropped forged Japanese Occupation banknotes over Malaya with the imprinted message: "Japanese money and Japan will be finished soon." The great number of these psy-war propaganda notes naturally led to a whole subculture of paper-money collectors.

* * * *

After World War II the counterfeitng of an enemy's currency no longer had inhibitory chains. It had gained stature by frequent usage. Chiang kai-Shek's forces in Taiwan regularly counterfeited mainland Chinese notes and wafted them over by balloon. The mainland Reds returned the compliment. Their bogus notes were brought over by dozens of secret agents. There is some evidence that the mainland Chinese also engaged in a counterfeiting operation of Ceylon's paper currency in 1966 designed primarily to help pro-Peking Socialists return to power. In the late Fifties, Israeli intelligence forces were convinced that a massive counterfeiting of Israeli pound notes was being carried out in Cairo—with official connivance. Cairo in 1961 was also suspected of being the center for the forging of Belgian Congo banknotes during the battles there between the United Nations forces and those of ex-Premier Lumumba.

There is some evidence that a plot to counterfeit $50,000,000 worth of Cuban notes in 1963, by a group called the Cuban Government in Exile, may have had some unofficial Pentagon and Joint Chiefs of Staff encouragement. In fact, only 1,600 notes were printed in Baltimore—and even those never got to Cuba. Appropriately enough, the Cuban exile group which was responsible was prosecuted by United States Attorney Robert M. Morgenthau, son of the former Secretary of the Treasury, Henry Morgenthau, Jr.

Inevitably, false notes played a considerable role in the various wars, both declared and undeclared, that were being played out on the bloody gameboard of Southeast Asia in the Sixties. Most of the 60 million Hanoi notes dropped by the U.S. Air Force from 1965 through October, 1972, were intended as propaganda. The front was a replica of the one- or 5-dong North Vietnamese note, but the notes had a three-inch extension bearing a printed message in Vietnamese: "Here is a resemblance of your money. Everyone knows it is losing purchasing power. This inflation is put on the people because of the

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war policy of your government. If the war goes on, your money will purchase less and less."

The notes were made by the U.S. Information Agency plants in Okinawa and Tokyo. Presumably, any North Vietnamese soldier or civilian who wanted to, could clip off the three-inch propaganda portion of the notes and try passing the rest of it as currency. Many did. According to Christopher Robbins in his recent book, *Air America* , a secret CIA project in the late Sixties involved the counterfeiting of Pathet Lao kip notes in an attempt to wreck the economy. He quotes an Air American pilot who helped drop the notes:

> They were just in paper bags and had these devices the 'kicker' pulled which ignited a small charge and blew the bag apart. The money was packed loosely, and when the bag blew the money would scatter and drift all over the area. I'm sure a few people ate well the next day. When we got back to Ventiane, we had to spend two hours cleaning the plane because some of the bags burst before we could get them out and we had counterfeit money from one end of the plane to the other.

With all these justifications by prior example, official counterfeiting of the currency of a real or ideological enemy is now a ready, sanctioned weapon. The Morgenthau inhibitions of 1940 are part of a lot of other discarded moral baggage. Today, every military contingency planner assumes serious attempts will be made to subvert his nation's currency by the enemy. Naturally, he hopes to do it to the enemy first.

This hasn't been lost on the banknote companies. They've convinced many nation-clients they should have a "reserve banknote issue" in secret readiness.

These reserve notes are generally the same size as the existing currency, but they have different colors and vignettes, and an indication of the special nature of the issue. But the U.S. arrangement is different. Our Federal Reserve Board has stockpiled four billions of new dollars—some 700 million notes—in a heavily-guarded, little-known complex carved into a hillside near Culpeper, Virginia.

The center was erected in the late Sixties and was designed to be the Federal Reserve's wartime home, in case of nuclear attack. Naturally, it was built to withstand both the blast and the radiation. As one builder put it: "We dug a hole in the side of the mountain, built it, and covered it up again." Other emergency centers for the Federal Reserve are in a limestone mine in western Pennsylvania; at

the bottom of a salt mine in Kansas, and an abandoned communications bunker at a military airbase in Massachusetts. But only the Culpeper base holds reserve money.

The Swiss have their wartime banknote reserve hidden in a cave complex, but other nations are reluctant to discuss their reserve issues. So are the banknote companies. One salesman said: "The central banks like to say, 'If we're lucky, we'll never have to use this money. And if we have to use it, fresh money will be the least of our worries.'"

The "reserve" issues make for welcome extra profits for the banknote companies. But it does present problems, too. One banknote maker would discuss the dilemma only if he weren't quoted. "When we deliver the first of a new batch of notes to the central bank, there's usually a small ceremony. One of our officers comes with the first notes and sees to it that the delivery goes through properly. Then he goes to the office of the head of the central bank and very solemnly gives him a sealed envelope, red, wax-sealed, and very important looking. In it, he tells the banker, are the secret markings we have placed on the bills. These are tiny, really tiny numerals or letters, or even a special embellishment. They're put on the notes because we know that they will be missed by the average—or even above-average—counterfeiter. The camera he uses will miss the tiny markings or distort them. So the secret markings are the ultimate test, if necessary, if a note is good or not.

"Generally, the head of the bank puts the sealed envelope in his safe and everybody, of course, murmurs 'may he never have to open the envelope' and so forth. They have a drink, shake hands, and that's it. In ordinary times, that's fine. The central bank's head has the secret markings for a new issue that will be circulating for the next few years, and that's as it should be. But with these reserve issues, for wartime—we have a time problem. Let's say—perish the thought—that Country A is going to have to use its reserve issue eight years from today. But the central bank president we gave the secret markings to, is long gone from the scene. Did he pass on the sealed envelope to his successor? Why wouldn't he? Because he might have hated his successor; or the latter might represent a despised political faction. Or even might be a sympathizer of the foreign country that is most likely to invade Country A in eight years. All kinds of disturbing possibilities. They are not truly *our* problem—we've done all we contracted to do—but open-ended dilemmas like

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this one make banknote companies uncomfortable. So, we worry a lot, which is not very productive, but it does show how far-seeing we are, wouldn't you say?"

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"A Predisposition to Counterfeit"

My only desire at one time was to be in the police. It seemed to me a fitting occupation for my sleepless, intriguing mind.—Soren Kierkegaard

The last time I visited Secret Service headquarters, they were still in their old-fashioned, sleepy offices in the Treasury Building on Pennsylvania Avenue. They're now in several bustling floors of a new Washington high-rise office building on G Street, near 17th. It's a much larger department than when I knew it—1,500 agents as against 400 in 1960. Now an Office of Public Affairs even puts out an attractive quarterly house organ, *Service Star* , with lots of employes' pictures from Field Offices (63), Protective Operations, Administration, Retirements, Marriages, New Arrivals (Births).

"We have 1,500 agents in the Secret Service now," Rich Ward tells me. (At the end of 1981 the Secret Service got another 1200 agents when it took over the staff of the dismantled Federal Bureau of Alcohol, Tobacco and Firearms.) He's the assistant special agent in charge of the Counterfeiting Division and has been in the Service 18 years. "About 300 of them are assigned full-time to anti-counterfeiting work. All agents are supposed to be able to switch effectively from protection work to anti-counterfeiting. You protect the President or you protect the public. Of the 300 in the money department, some hundred or so can effectively go under cover, infiltrate a gang about to set up a counterfeiting operation, or pose as a potential buyer of counterfeit. Including five or six women agents. Less than 15 years ago, we had only one agent who could do that effectively, Carmine Motto, who's now Deputy Commissioner of the

White Plains, New York, Public Safety Department. In fact, Carmine has written the only book, in any language, on how to go undercover in counterfeiting gangs."

We talked of the Federal Reserve's problems in handling suspect notes. "Two, three times a year the Working Committee meets," Ward went on. "This consists of someone from our Service, the Fed, the Bureau of Engraving. Mostly, we exchange notes on developments in counterfeiting, technical advances in printing, photography, inks, paper. Naturally, that's the place where the first concern was expressed about the color copiers. In the beginning, it sounded hairy. Get a $19,000 Xerox-6500 and go into the money-making business! All kinds of suggestions: ban the machine; make them register each one; make the machine put the word 'copy' on every sheet it turns out; security checks for every licensed operator, and so on. But now that there are some 2,000 color copiers in the U.S. and maybe another 400 abroad, we're much less worried."

How come? "The 6500 doesn't reproduce the color black too well. Also, it has no color-separation capabilities, and since it has a powder base the residues are distributed unevenly on the copy. All in all, we've had only very minor cases stemming out of the 6500. We still have black-and-white Xerox copies of the dollar bill thrown into change-making machines. But the newer change machines are much more sophisticated."

About twice a year, Secret Service teams pop in on various Federal Reserve Banks to see if the counterfeit-detection systems—and the women note-handlers—are working well. Out of the billions of notes handled and checked, there might be maybe twenty counterfeit notes a year that aren't picked up.

The Service had recently gotten some adverse editorial comment because of a much-publicized Los Angeles counterfeiting case. The undercover agent was ready and anxious to buy but the four would-be counterfeiters didn't have enough money to finance their production of $100 bills. The agent helped the gang get plates, presses, paper and ink. They made the $100 bills—some $8.3 million worth—and sold their first batch to the undercover man. The arrest headlines said it was "the largest seizure of counterfeit money in U.S. history." After pleading guilty, the men got very light six-month jail terms and four years' probation. Obviously the Federal judge was influenced by some of the testimony elicited during the trial. According to the *New York Times* account:

> The four men maintained that at one point they tried to back out of the operation, but were dissuaded by the Secret Service agent who 'threatened retribution.' They also said the agent later asked that the $5 million limit be raised to $8 million, in order. . .'to make history'. . .Both points are denied by the Secret Service.

Ward nodded. "A tough case. Always is where the agent has to prove his bona fides to the gang by helping out. We have a doubt we're overstepping bounds-of-entrapment rules, we check with the U.S. Attorney. We do that maybe a dozen times a year. Mainly we have to depend on the good sense and flexibility of the agent on the job. Our first consideration has to be: is there a *predisposition* to counterfeit, by this gang? That's the operative word. When there is a predisposition, we figure almost anything goes, on the part of the undercover man. We even let him put up advance money, that kind of stuff."

In its report for fiscal 1982 the Serivce reported a record year. Some $82.3 million of counterfeit notes had been made, a huge 41% increase over 1981. Fortunately, the forgers were only able to pass some $8.6 million worth on to the public. In 1981 some $7 million had been passed. Generally, some 200-300 counterfeiting operations are uncovered every year.

Ward was sure counterfeiting volume ran in cycles. "Only we can't figure out what the cycle is based on."

The biggest single source of U.S. counterfeits has always been New York, he said. "Understandable. A big part of our printing industry is there. Los Angeles is also big because it has lots of skilled photographers. Miami is probably next, because it gets a lot of Colombian fakes brought up mostly by their college kids studying here. They pick up the notes more-or-less innocently on the Bogota black market since the country has strict laws on how much you can take out of the country. They're nickel-and-diming us to death down there with those Colombian notes." (See Chapter 18).

Naturally, I had to ask the obligatory question: what was the most dangerous note they'd encountered in the past few years? Ward shook his head. "Bad question. Dangerous to who? Trouble is the poorest printed note passes more often than a fairly well-made fake. God knows why. Still, if you did a little survey here at headquarters, I suppose most agents would tell you that the best offset fake produc-

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ed in the last ten years or so came from an amateur team in Waco, Texas. Father and son, no less. Name of Graff. Pretty funny in some ways. You ought to look at the file."

I did.

No question: Charles Nicholas Graff of Texas is an original. In him, somehow, must be the wildly-assorted genes of George F. Babbitt of Zenith; Sidney Greenstreet of Beverly Hills, Cal., and Willy Loman of Brooklyn, N.Y. At the height of his brief career, Graff was 6'4", weighed 240 pounds and was buoyant with more cockeyed optimism—and native cunning—than might be found in any one county of his adopted Texas. (He was born in Minnesota.)

From his confession, we get this:

> I owned and operated a twelve-man industrial advertising agency for twelve years. . .Before that I acquired fifteen years' photographic graphic arts and printing experience. Then most recently I operated a full-line bookstore in Waco, Texas.

The bookstore wasn't doing well, either, and Graff decided what the State needed was a series of descriptive booklets, one for each major city. So he ordered a 1250 Multilith Press and a Dierdorff camera for the project. But by the Spring of 1975 things got rougher for the Graffs and they decided the booklet project was out. Instead:

> I do not remember exactly how the idea came about, but my son and I decided to print some counterfeit money. . .In June, 1975 we ran a batch of $540,000 but they weren't very good. . .In September we began from scratch and by December we had $1,200,000 in counterfeit twenties. . .All of the work was done in our garage at our house in Waco, Texas. My son (James R. Graff, 26) and I were the only two involved. . .We then printed some letters advertising the product. . .

As I said, we're dealing with an original. How do you *advertise* counterfeit bills? Who do you write to? Charles Nicholas Graff had thought it out very carefully.

In his unsuccessful bookshop he also had lots of time to read. He knew that most counterfeiters got tripped up in their distribution arrangements: there always seemed to be a fink, or worse—a Secret Service man—in the crowd, somehow. Obviously, he would have to create his own distribution apparatus—at the lowest cost and at least risk.

First he needed a city where there is a fairly high level of moral

sophistication, i.e., one with a long history of tolerant adaptation to crime and corruption. New Orleans, for instance. Now that he had his marketing area, he had to sight-in on a specific target. How about businessmen on the fringe?—used car dealers, bar owners, men in whom the Better Business Bureau code of ethics seldom resonates above an unheard murmur.

Now he needed his selling instrument, the persuasive letter. After all, lots of great businesses had been built on direct mail. Why not the new Graff enterprise? Direct mail, like all forms of advertising, has numerous prize awards for the best and most effective letters. No one entered the Graff letter in 1976, but someone should have. The letter, with two attached $20 notes made in the Graff atelier, went:

Dear__,

The attached 'merchandise' is, of course, not what it appears to be. However, it will be referred to as 'product' or 'merchandise' throughout this letter. I think you will agree it is one of the finest products of its type you have ever seen.

I am completely self-sufficient in the production of this product, however regional 'sales' require a local distributor. I feel that a person such as yourself who is continuously making his money generate more money, has the contacts to distribute this merchandise. . .There will be only one person handling this territory.

Now while the risk to you is minimal, I have no illusions about the risk to me. I must assume that every contact I make can result in a plan to entrap me. Common sense says this is ridiculous, but the possibility does exist for someone to earn brownie points by helping to catch me. Therefore if you are interested and we reach an agreement, the following procedure is the *only* method to avoid such a situation.

* You and I will never meet face to face.
* I will always call you—never the other way around.
* Any single phone call will be limited to 3 minutes.
* If you think your phone is unsafe, I will work out a code.
* There will never be a simultaneous exchange between us of merchandise and payment.
* Merchandise will be delivered by messenger, Parcel Post or United Parcel Service. If for any reason you sense a hostile situation, let the package set on your floor unopened a few days. Is it your fault someone sent you a package you did not

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order?

* Payment will be made two days after delivery to give you time to inspect and count the merchandise. Do not take me for an easy mark just because I must trust you. I am hardly a gracious loser when crossed or taken advantage of.

* The price to you is as follows:

25,000 (minimum). . . . . ..20% of face value
50,000 . . . .15%
100,000 (or more). 10%

Amounts beyond 100,000 require 50% front money.

How you use the merchandise, or what you charge for it is up to you, as long as you stay within your territory. Because I have a record of the numbers on the merchandise, I will know of any infringement upon another territory. . . This is too touchy a product to be handled any other way. While the merchandise will come to you only in 'new' condition, the second enclosed sample shows how it can be 'aged' by the ultimate user. The aging process, which is quite simple, takes about two hours per 100 items. I will be in contact with you shortly, using the name 'Andrew'.

* * * *

Of course, there was no proper signature. If the reader wanted to, he could assume "Andrew" also referred to Andrew Jackson, the engraved vignette on the $20 bill.

One of the letters went to the owner of Mid-City Auto of _____, Louisiana. Then:

> A few days later I called Mid-City and asked for the owner. . .I said this was Andrew and asked him if he could use it. . .He told me, Yeah, I think I could use about twenty-five. I told him he would have the territorial rights to Alabama, Louisiana, Mississippi and Tennessee. He said I should call him 'Harry'.

The day after, the first delivery was made on January 2, 1976. How? Graff and his son, driving the latter's white Vega, offered $5 to a "black male juvenile wearing an olive drab jacket" to deliver a package to the Mid-City office up the block. Then minutes later, Graff called and confirmed that the "Harry" of Mid-City had gotten the package. Two days later, Graff phoned again and said that payment would be due that day and that he'd phone again to provide details. Now for more ingenuity, adapted from the manuals provided

nightly by our television networks.

They chose a parking lot some distance from Mid-City. Harry was told to come to the lot, park, and put the large orange cardboard that had been included in his batch of bills under his windshield wiper. Again, Graff hired a lad to make the pickup. Ten dollars this time. They got $5,000 in hundred-dollar bills. Graff carefully checked them out. These weren't the "merchandise" from another vendor. Real stuff. A few days later, "Harry" took $50,000 from them and paid $7,500. The direct mail approach, the cautious details used for deliveries and payoffs had worked well.

Now the Graffs decided Jacksonville, Florida, was their next target. Again, they mailed come-on letters to used-car dealers. A few days later they drove to Jacksonville to commence the follow-up calls locally. One of the dealers seemed interested and wanted $50,000. They delivered, arranged to pick up the payoff—and got nabbed. The dealer, as Graff put it later, "snitched me off to the Secret Service." Fully appreciative of their catch, the Service gave the dealer a proper informant code name, 307-70. More importantly, they rewarded him with $1,000. No merchandise.

Charley got seven years and Jim, five. The older Graff was paroled in July, 1978 and now lives in the South and works as a "personnel consultant." His son, James Graff, is a bookseller. A few months after he got out, Charley Graff was back in the direct mail business. This time, Graff was trying to sell an investment—in himself and a book. Now his mailing list went to prosperous lawyers who might be interested for themselves or for clients who had $10,000 or $50,000 to invest.

> Dear Mr. ,
>
> The aftermath of counterfeiting can be profitable! There are investments and then, there are investments. The conventional ones, because they are known to everyone, rarely produce more than a modest return on investment. Seldom does something come along where the return can be quite substantial and the risk element is predictably minimal. The attached material, in my opinion, represents such an opportunity. . .

What he proposed selling was shares in a publishing venture. One that would make many copies of a 56-page brochure, "REAL OR COUNTERFEIT." He went on:

> If I appear knowledgeable, it is because I manufactured counterfeit myself. Yes, I was caught but not because of inferior

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> note quality. None of the bills I developed were ever a problem to merchants or the merchants' banks because none were ever caught or detected, even by the Federal Reserve Banks. . .I write from my own personal experience plus a vast infusion of knowledge gained from forced association with the elite of the criminal world, 2400 strong, at the largest University of Crime in the world otherwise known as the Federal Penitentiary at Atlanta. . . The book will be profusely illustrated. . .the book will require approximately $65,000. I propose setting up a limited partnership for each $10,000 of investment. The return will be substantial. . .as long as there are people making counterfeit money, there will be a market for this book. . .

I talked to Charley Graff recently. He and his son share an apartment in the South. His book-project letter drew no responses at all, and he's a little dispirited. "I thought it was a great selling letter." From time to time, old alumni of the University of Crime call to see if he's still interested, but he discourages them.

He's not particularly bitter about the Jacksonville used-car dealer who turned him in and got the $1,000 reward. "Hell, you can't know everything about your potential customers in direct mail. I got a stinker."

How much did it cost him to make a note? About a cent each. I congratulated him: the BEP now spends two cents per note. "Yeah," he laughs, "I had a whole lot lower overhead." He marvelled at how much hard, useful criminal information circulates at a place like Atlanta Penitentiary. "I had lots of offers down there for when I got out. My notes' reputation preceded me somehow. But I also picked up pointers. I could probably make a note ten times better than I did, except that at 63 I don't have any interest in doing time again." I complimented him again on his direct-mail letters and promised to send copies of the letters to an old friend who is now a doyen of the direct-mail field. "Yeah, the letters were pretty good," he said, "but how come I couldn't get anybody to invest in my book? Maybe I was pushing the wrong product—both times."

* * * *

Another ex-counterfeiter turned author got a lot more publicity than the Graffs ever did. But Robert Baudin, a 63-year old American who did most of his forging of U.S. notes in Australia, had to resort to some dangerous attention-getting. Late in 1979 he rented a Cessna 172 and buzzed the New York UN Buildings, sending some

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5000 employes scurrying for safety. He did it, he told the police later, to force his publishers to re-edit and reissue his book, "Confessions of a Promiscuous Counterfeiter". Published on April 1, 1979 with a printing of 8000 copies, the work had sold some 6000 copies by the time of the extended aerial buzzing. Baudin, an experienced pilot, had used the city-buzzing technique before in Sydney in 1969 just before he was to come to trial on counterfeiting charges. He was sentenced to five years but served only 15 months—part of the agreement to stop harassing Sydney from the air. Baudin, the son of a former American university professor, wrote a fairly raunchy autobiography but he complained that his publishers took out the best parts. It is an interesting book, particularly for clinical psychiatrists who pay attention to the sociopathic personality. Baudin also has six pages of the most detailed instructions ever provided publicly by a maker of bogus. Still, he was caught because like most counterfeiters he made some stupid mistakes in his distribution. The Art comes easy; it's the Commerce that kills them.

* * * *

Rich Ward of the Secret Service suggested that I see Carmine Motto when I got back to New York. For years, Motto had been the Service's great expert on wangling his way into counterfeiting gangs. Now 67, Motto has spent 40 years in law enforcement, starting as a New York State trooper. After his Secret Service stint, he was Deputy Director of Law Enforcement for the U.S. Treasury from 1970-74. From there, he went to his present job as Deputy Commissioner of Public Safety for White Plains, N.Y.

I talked to him about the Graff case and he was grudgingly admiring. "Graff was much smarter than most of the blue-collar people who fall into counterfeiting. He saw right away that the big problem, the one that inevitably defeats most queer-makers, is *distribution* . That letter of his. . ."

He thought we were lucky because, as a rule, counterfeiting attracted only people with an average or below-average intelligence. "Smart ones realize that you got to lose here: the Government has too much at stake. They might have to spend $5 million to get you just because you turned out a few hundred $20 bills, but by God, they'll get you. Never mind the cost-effectiveness factor."

The only man he ever knew who got real pleasure out of counterfeit notes was an old-time con man, "Count" Victor Lustig. He always had a stack of $100 bills on him but would only use them

publicly, to light a cigar. "Part of his con, of course, but classy."

He felt that the Secret Service was keeping itself lower in public estimation than it deserved. "They're too damn honest. When you read about a bust by the Drug Enforcement Administration, first thing you get is the 'street value' of the drugs they grabbed. Twenty million; $40 million. Box-car numbers. The trouble with the Secret Service is they give the press low, totally non-inflated figures. Generally, we pick up the counterfeiters after they've only completed the backs of the bills. They always do that first. So what we have are a lot of half-printed bills, with no real street value. Y'know what I'd do if I was running things? When we grab an offset or Multilith machine used by a gang, I'd count the total paper stock there and tell the reporters this man and his gang had a capability of turning out, say, $100 million, in counterfeit currency. That would grab 'em. They don't do it that way because the Secret Service is a very straight agency."

He thinks it's just as well they're "too honest." "Helps offset the public" which still has some curiously mixed reactions to counterfeiting:

"A friend of mine who was doing part-time printing for local merchants, strictly legit stuff, once asked me to help him move his Multilith machine into his garage. While we were huffing and puffing with the machine, some of his neighbors gathered around to watch. And damn if every one of them, at one time or another during that hour, didn't say, 'Hey, Mac, while we're at it, let's run off a few bills. What the hell.' The sad thing is they were only half-kidding."

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Sanctuary

Sanctuary. In old English law a consecrated place which had certain privileges annexed to it, and to which offenders were accustomed to resort for refuge, because they could not be arrested there, nor the laws executed.—Black's Law Dictionary

I've come to Bogota to solve an irrational superlative: why is this landlocked city of three million, this 8000-foot high Andean plateau, the current counterfeiting capital of the world?

Other cities have had the honor at different times. In the 1790s London had seventeen printing establishments with some 400 workmen counterfeiting French revolutionary assignats. In the 1860s Philadelphia was the busy center for the making of bogus Confederate banknotes. In this century Berlin reigned in the 20s, Paris was the place in the 50s and Hong Kong in the 60s. But *Bogota? Today?*

The evidence for Bogota's peculiar eminence:

* It is the only foreign city where the U.S. Secret Service finds it necessary to maintain a team of four agents—to protect U.S. currency.

* Every year Bogota counterfeits between 25-50 million worth of U.S., German, Canadian, British and Colombian banknotes. As well as American Express and Bank of America travellers checks. A few expert counterfeiting gangs in Bogota manage to turn out more bogus than all their rivals do in the U.S., Great Britain and Germany.

* Counterfeit notes are so much a part of the city's commerce that foreigners at leading hotels such as the Tecumdama are routinely offered forged U.S. $100 notes for $20. I was.

* The technical level of Bogota's unauthorized money makers is

possibly the highest in the world. Recently, one gang succeeded in solving an ancient defect. Since all counterfeit notes are made by the cheap offset-printing process, they always lack the slightly raised surfaces of genuine notes produced by very expensive intaglio presses. Now the Bogota bogus makers have found a method for producing the raised surface on their notes.

Central Casting would automatically designate Jorge Francisco de Paris for roles involving distinguished, gray-haired international bankers or diplomats. For 22 years he was Treasurer of the Banco de la Republica, Colombia's central bank. In his job he controlled banknote circulation and distribution. He was also instrumental in helping to set up the country's banknote plant in 1957.

"We decided we needed our own plant, and De La Rue and Giori were called on to make it possible. It wasn't an inexpensive undertaking. We felt it would give us better security and perhaps more importantly, it would enable us to put a lot of people to work. Our unemployment rates here run at least 20% and perhaps as high as 30%. We also thought that by having a plant here we could get business from neighbors such as Peru and Bolivia."

On the whole, the Banco de la Republica has no regrets. It created about 150 jobs at the banknote plant and is now doing all of its own notes. Until recently, it was turning out only low-denomination notes such as 2-, 5-, 10-, and 20-peso notes and contracting with American Bank Note to make its 50s and 100s and De La Rue for its 100s. (The Colombian peso is worth slightly under 1½¢ (Sept. 1982).

Plant security is at a fairly high level. In certain sections, all workers are searched thoroughly before leaving—after they take off their green-and-yellow pocketless uniforms. There have been very few *internal* thefts. And in its first few years of experience the local banknote plant didn't have much criminal competition. That didn't come until the mid-sixties, when it came suddenly and heavily. But it took several years and several spectacular crimes before the central bank realized, in the words of vice-president Oscar Aviar Ramirez, "how inadequate our security measures were. When you think back on how naive, how unguarded we were, it is terribly embarrassing. A little like a mature person thinking back to all the gaffes, silly dangerous things he did as a teenager."

Capt. Luis Virgilio Avella Diaz, a retired naval officer, was appointed director of protection and security for the bank and its banknote plant in 1973. He and his staff undertook an intense study

of why Colombia and its capital, Bogota, had become the counterfeiting capital of the world. Not long ago, in a somber, carpeted office on a high floor in the bank's handsome new skyscraper, he talked about their findings.

"We agreed that 1967 was probably the starting period for Bogota becoming the world center for counterfeiting. It was almost certainly related to the fact that 1967 was the first year in which a heavy movement of drugs began through Colombia."

The first massive counterfeits, Capt. Avella thinks, were created to pay off cocaine suppliers in Peru and Bolivia. "It was," he said, "like your big growth of counterfeiting in the States in the early Twenties. There they were making false notes to pay off bootleggers for the illicit liquor. And once the crime was underway it clearly benefitted from several disparate factors verging together at one time."

He listed the reasons in no particular order:

"We have a lot of skilled printers and many of them are talented in negative aspects. We are not a signatory to the International Convention for the Suppression of Counterfeiting. We are a geographical center for Latin America. The U.S. dollar is still a universal currency here. We have comparatively unguarded Atlantic and Pacific coasts. And we've had a big influx of criminals, most of whom are in transit. To pay for their stay here and build a cushion for their further travels, they get involved in some counterfeiting operation."

Inevitably, Capt. Avella and the other central bank officers I talked to in Bogota came back to the frightening central theme that dominates Colombia's modern history: La Violencia. Between 1946 and 1958 Colombia underwent 22 years of undeclared civil war. It claimed anywhere from 100,000 to 300,000 lives—the great uncertainty about casualties is a measure of how *unrecorded* these internecine battles were. When La Violencia ended—after a truce between the warring Conservatives and the Liberals—violent deaths didn't end. There was persistent rural guerrilla activity and urban terrorism.

Mostly, "La Violencia" served as a training time for crime and even legitimatized certain forms of criminal activity. An American embassy official—twice victimized—is convinced that Bogota has the highest crime rate in the world. "They have the world's fastest and smartest crooks and as far as I know, the first 'graduate school' for pickpockets." It also has the highest murder rate in the world.

An American woman, a writer married to a Bogota physician, fills

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me in on what it's like to live in a city where the level of crime would make even New York City police think their situation wasn't so bad.

"For years it was almost obligatory for every foreign correspondent assigned to Colombia to do a first story on how he or she got ripped off: camera, wallet, anything. Marvine Howe of the New York Times was knocked to the ground and her bag taken, her first week here. A Washington Post correspondent had his pockets picked three times in one week. A Canadian press photographer was robbed four times in three weeks. We locals suffer even more. We're here permanently. Our home was robbed three times in one year. A favorite saying here is, our crooks have more nerve than a bad tooth.

"In the U.S., there would be great outcries and a lot of thieves would be killed by angry, armed shopkeepers. Here the net effect is to cow the public. I was in line at the postoffice. A couple of places in front of me is a woman whose handbag is open. I could see a pickpocket making approaches to her bag. I step out of line for a moment and tell the woman her handbag is open. She thanked me and closed it. The pickpocket left. But the strange thing was that almost everybody on line marvelled that I dared tell the woman her bag was open. *Wasn't I afraid that I'd be knifed* ? Here, everybody is afraid to speak up. It's frightening."

When violent crime is the routine stuff of quotidian life, a minor matter like counterfeiting won't get much attention. When almost every adult male is packing a weapon, a man quietly tending his offset machine is likely to be considered a model, useful citizen. Even if you knew exactly what he was doing.

* * * *

A good deal of official Colombia's embarrassment at the unwanted title of world's counterfeiting center is that after all the historic sins of commission are listed; after the bloody excesses of La Violencia and its aftermath are detailed, there remains a delicate sin of legislative omission. Under Colombia law there is very little that is illegal in the manufacture of another nation's currency, travelers checks, or passports.

"It takes a while to sink in," admits Gus Morgan, one of the four U.S. Secret Service agents assigned to the busy Bogota office. "When I first heard it wasn't really against the law here to counterfeit foreign money, it sounded a little like the beginning of those cute old-time British films with Alec Guiness smiling slyly."

Morgan, an eight-year veteran of the Service, is Spanish-speaking

as are the other agents here. His office is in an unmarked upper story of a tall office building not far from the U.S. Embassy complex in Bogota. The much larger force assigned to the DEA—the Drug Enforcement Administration—is on adjoining floors. In his worn jeans, open-collared button-down white shirt, Morgan could easily pass as a graduate student-tourist on the streets.

"Colombian law regarding counterfeiting is contained in Title 6, Article 271-6 of the Penal Code here. It's pretty clear up to a point. For example, anyone making or altering *Colombian* money fraudulently can get a 3-to-15-year sentence. Fine. Then the Code considers the problem of those counterfeiting *foreign* currency. Here, the penalties are reduced a third, to 1-to-5 years, so that a counterfeiter of U.S. dollars might get only a year.

"And that's not unusual, either. In most jurisdictions, including the U.S., judges will generally hand out lesser penalties for counterfeiting *foreign* currencies. No, the catch comes because the law is so nebulous on other key matters connected with counterfeiting. For example, there are no specific penalties for *passing* counterfeit notes; there are no laws specifically directed against the possession of counterfeit plates or negatives. In fact, it is not specifically against Colombian law merely to *print* counterfeit notes of another country. Yes, there is a law against the *circulation* of false money but the trouble is, the state has to prove that the passer *knew* the money was false. Most times, that's very tough."

Morgan is philosophic about the Colombian legal oversights. "You got to remember that in the U.S. we had 100 years to develop our anti-counterfeiting laws. They're really just getting started."

He felt that the Service was getting good cooperation from Colombia. "But the cops are overworked and underpaid. Besides, the forging of foreign notes is not *their* problem. So, we're here because it hurts us more than them. And we have a lot more expertise."

From a former U.S. Secret Service agent who had served in Bogota earlier I got a more detailed and clearer picture of how the Service operates there.

"After your first week in Bogota you know you're operating with certain givens, all negative. First, their police are comparatively untrained. Even on a basic thing like doing a thorough search of a raided shop. Job for job, Colombians make about a fourth or a fifth of what Americans do. But cops make much less. Also, ordinary cops have no chance to advance to higher ranks as they do in the States.

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A bad combination and it's got to breed temptations. I'll give you two cases. We raided a print shop along with some Colombian cops one night and found $234,000 in counterfeit notes. All was taken to the police station. Next day there was only $181,000 in the pile. Another time, I gave a two-week course to the Bogota police on counterfeiters, how they work and so on. A lot of their different police agencies, their F-2, DAS—which is like our FBI—and local cops attended the course. At first, we thought the course was a good idea. Worst thing we could have done. Why? We soon realized that after my two-week course a lot of the local print shops we checked on regularly were turning out far better products. I was telling the cops the weaknesses of the local counterfeiters and clearly some cops were passing the dope on to their friends or partners in counterfeiting."

The Secret Service is always under State Department wraps, he went on. "Theoretically, any undercover work by us is forbidden in Colombia. And their guidelines prevent us from giving guns or arms to local police. What do you do? You find ways to make police friends. Particularly ranking officers. They love our Smith & Wessons, Model 39. Costs $300 in the States but in Bogota they're worth $1,000. You can build a hell of a lot of gratitude for one of them."

There are other payoffs. Informants. "We don't go in for any of the monthly FBI payment deals. Strictly one-time pay for specific information. But some of the characters we have to deal with have developed levels of sophistication you got to admire. We have operators who only make negatives of $50s and $100-dollar bills. An informant comes to us and says he can get hold of a very dangerous $100 negative. He gets it and turns it over and we give him $250. You pay that out a couple of times and then the cute racket becomes apparent. One guy makes negatives and his partner plays informant. We let them, they could bleed us white in a week."

Most of the counterfeits made in Bogota are usually offered at 12% of face value, whether it is in Ecuadorian, Peruvan, Brazilian, Canadian, or U.S. money. Or travellers checks.

"They go lower, too. We had offers of deals of $100,000 in counterfeit bills, $50s and $100s, for as little as 3% of face, or about $3,000. They will counterfeit anything. They'd just as soon do a million in Soviet rubles, if someone ordered them, as make their own Colombian notes. For a time they were very hot on U.S. Treasury

checks. Then they switched over to Colombia coffee bonds. There were 5,000- and 10,000-peso bonds paid out to coffee growers by the government which handled the coffee-crop marketing. The bonds pay good interest but many of the growers sell the bonds at a discount on the stock exchange. The State Department devised a new stamp for tourist and immigrant visas with lots of protective features. It was multi-colored, had fluorescent inks and God knows what. A month later they had a damn good fake of that stamp in Bogota for people who couldn't get genuine visas."

In spite of the difficulties, the Secret Service unit feels it has made enormous headway. "In our first four months here we got $3 million in bogus off the streets. Our biggest seizure was $1,600,000 in 50s and 100s. The official figure is that some 25% of all counterfeits floating around the U.S. comes from Colombia but we're convinced that the figure is much higher, maybe even 40%."

A week before my arrival, the local police working with our Secret Service had broken up a gang making U.S. $100 bills as well as 500-peso Colombian notes and Colombian revenue stamps. These must be affixed to all notarized documents and on papers covering sales of homes and cars.

More than $1 million worth of counterfeits were seized, as was a $20,000 German offset-printing machine found in the home of one of the plotters. In all, the police found more than $35,000 worth of printing machinery, lenses and cameras, a very sizable investment for Bogota counterfeiters. But what dismayed the Secret Service agents was a special factor they found on the U.S. $100 notes.

A Secret Service agent explained: "Through much of Latin America a favorite test for the genuineness of a banknote is to try to light a kitchen match by scratching it across the note's surface. Since all the higher-denomination notes are printed by intaglio, they have a slightly raised surface which will light a kitchen match. But these notes we seized in March, 1979, in Bogota, were scary because the counterfeiters had found an ingenious way to create that raised surface even though they were making their notes on the much cheaper offset process.

The "inventor" of the process is believed to be a veteran counterfeiter, Luis Antonio Vera Pol, who dreamed of it while he was in prison. In addition to criminal charges, he also faces a *civil* suit by the Bano de la Republica for copyright violation. Nelson Pinilla P., head of the bank's division of special investigation, ex-

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plained the suit.

"The bank can press a civil action against counterfeiters to seek damages done the bank with his fakes and also for violation of our *copyright* on the banknote. We just obtained our civil judgment today and I think we'll be able to collect as much as 300,000 pesos (about $12,000) from him and his gang—the value of the offset press, cameras, paper and so on. Such a penalty is even deadlier than prison. It will take a long time to accumulate that much capital for any future counterfeiting ventures."

Later, over small cups of black coffee, another ranking central bank official admitted that perhaps the bank, which issues the nation's currency, might also be "culpable" in small measure for the prevalence of counterfeits in Colombia. "We have limitations on how much Colombian currency can be taken out by businessmen, tourists and students. The yearly maximum is about $2,800. Many resort to the black market for dollars. Inevitably, a lot of big bills in counterfeits turn up there. The buyers can't complain. It seems likely that a good deal of the counterfeit dollars made here that find their way to the States, are brought by our students studying there. Their parents buy the bills on the black market so that their sons and daughters can pay their tuition, living costs and so on. In the process, they innocently pass bogus bills in their university towns—until they're caught. Terribly embarrassing, for these students come from the better, more prosperous families."

Ernesto Samper Pizano, the youthful president of ANIF, the Colombian bankers association, thinks the student embarrassment, the central bank's difficulties and the nation's international reputation as the world's greatest drug center, could all be changed by the passage of a single law in the U.S.

"We are now in the process of changing our laws to make punishment for counterfeiting of *any* currency more certain. Yes, we should have done that long ago. Now if we could only get your country to do something for us. Just a little law revision. With it, Colombia would suddenly become prosperous. We'd have a new influx of at least $200 million a year. We'd no longer have a black market for banknotes and we'd have jobs for thousands of men, including our persistent counterfeiters. Just one little law."

I was a little late in catching on, and he smiled the answer:

"Just legalize marijuana."

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The Loners

A young American admirer once asked the great artist: "What's it like to be Picasso?" Picasso asked him to give him a one dollar bill. Picasso pinned it to a canvass on his easel, took up a brush and in a minute or two had redesigned the note with his characteristic bold touches. He then signed it. Giving it back to his admirer, he said: "Now your dollar is worth $500. That's what it is like to be Picasso."—from Art and Money by Aubrey Mennen

"It was on one of those evenings when I'd asked around ten or fifteen people for suggestions that finally one lady friend asked me the right question: 'Well, what do you love most?' That's how I started painting money."—from POPISM by Andy Warhol & Pat Hackett

Most currency counterfeits recorded by Interpol headquarters outside Paris are brought out by loosely-organized gangs who either sell their bogus offset-printed notes at a great discount—typically 20 cents on the dollar—to wholesalers, or arrange their own distribution. Usually, in a weekend blitz in several different cities in the country. Saturday afternoons are favored. Banks are closed and won't reopen until Monday morning, by which time the passer is a long way off.

But these gangs and their base imitations aren't worthy of any but professional attention. They simply do what has been done before, adding minor improvements and refining the distribution process. For example, using attractive young women seems to make male cashiers look at the note less.

The bogus makers who interest me are the loners: the men—and one woman—who secretly entered the counterfeiting world and kept the secret to themselves. Often they did it all, from making the paper to passing the notes. In essence, they became one-man banknote firms specializing in limited editions. But they lacked more than just the multimillion-dollar engraving, intaglio press and numbering equipment of the proper banknote manufacturer. In the course of their secret enterprises, the loners had to find answers to problems the banknote maker had solved long ago. Answers furnished by specialized technicians and access to the fine technical services of paper makers and ink suppliers. In addition, the loner had to uncover secret markings the engraver and the color technician hid so cleverly on the face of the banknote.

And all this had to be done without sharing the secret for months and years. And like a good secret agent, the loner had to live normally, respond to quotidian inquiries routinely, and never, never hint or show that he had a great, fat secret life; that dozens and sometimes thousands of police agents and detectives were searching for him and his little secret factory. Fortunately, this special loner breed is extremely rare. What makes it rare is not the technical facility, adaptive abilities, or the intensive application. No, far rarer is the ability to contain the secret totally, keep it all inside. To live in the economy and yet outside it; to go along in conformity even as you're making one of the nation's great powers, the central bank, tremble for the security of its currency.

Some 60 years ago or so, American Bank Note borrowed the concept and installed a lone counterfeiter in a tower in the old, fortress-like building that constitutes ABN's main plant in the stricken Bronx—New York's northernmost borough. The official counterfeiter's 9-5 job was to think and act like a loner, trying to find ways of emulating the company product with his comparatively primitive tools and ingenious homemade devices. When he succeeded the company, in turn, had to improve its product. But the company counterfeiter necessarily lacked the loner's crazy drive, intuitive intelligence, and extraordinary ingenuity.

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The loners who appear in the following pages stand out from the horde of commonplace counterfeiters who have infested the world for 150 years or so, in several pointed ways. They didn't need the supporting structure of a gang; or the need to depend on specialized others. They were less likely to be caught because they weren't subject to the ultimate weakness of all counterfeiting gangs: one of them was likely to be a police informer; or in the U.S. Secret Service as an undercover agent. As a result of their immunity to this fatal weakness, our loners were able to achieve some remarkable entries in the criminal record books: in their length of operations; in the extent of the desperate measures the State and its minions had to take against them. And, finally, the giant achievement: some even forced the government and its central bank to admit defeat by calling in the entire issue of notes the loner had counterfeited.

* * * *

The idea of an artist emulating the nation's currency was mostly a 19th century one, because it was the time that paper currency was first being generally accepted. There were a few minor one-man money-painting operators in France and Germany in the mid- and late 19th centuries. And above all, the *one* in the United States, Emanuel Ninger, "Jim, the Penman".

The attraction to the starving artist is that what is called for is not a line-for-line duplication of those fine, engraved *guilloches* . There's no way he can do that with brush, pen and ink. What he can do—and did—was artfully *suggest* the presence of those many engraved lines, dots and figures. A subdivision of the *trompe l'oeil* school, the Fool-the-Eye Academy.

The school's practitioners are still around today. The most recent informal showings took place in Munich in 1975, when the Bundesbank reported that 11 hand-drawn notes of 1000 marks each (then worth about $400 each) had been passed by Gunther Hopfinger. The notes were forged entirely by hand, using only a pen and inks on typewriter bond paper. "An artist with extraordinary talent," the police said in its informed critique. Indeed, the KRIPO (the criminal police) were so impressed by what one local paper called our "budding Rembrandt" that a film was made of Hopfinger recreating one of his hand-drawn notes.

A few months earlier in Bayonne, France, another impoverished artist took the line of direct action: the way to make money is to draw money. Her name was Anne-Marie Rojas. She was 32, married,

mother of two children. Her husband had been fired from his job as a minor insurance executive and the family was starting to hurt. But Anne-Marie had a hidden resource: she was a graduate of the regional beaux-arts academy and one day she came across a packet of airmail stationery. She stared at the thin, crinkly, strong sheets and the rest seemed to follow almost automatically. She bought some paints, brushes, and soon was in business. She decided to reproduce the 500-franc note—then worth about $110. She copied from a real note which features a portrait of Blaise Pascal, the great mathematician-physicist-inventor, who once had some hard lines for painters: "How vain is painting, which is admired for reproducing the likeness of things whose originals are not admired." (But in his century, paper money couldn't be admired because it was barely visible. It would take another century before banknotes—the Assignats—hit France.)

Anne-Marie limited herself to doing one Pascal a day. The front side in the morning, noon for drying, and the back in the afternoon. She even managed to imitate the grain of banknote paper with diluted *encre de chine* . She found a way of *suggesting* the subtle gradations of color that, the Banque of France believes, helps make their banknotes especially hard to duplicate. She started passing them in September, 1974, mainly at local supermarkets at rush hour, early evening, and on Saturday mornings.

But she wasn't a human Xerox. She was still an artist and that meant that somewhere on this small, artistic rendering would be the distinctive signature of the creator. Still, she was not vain or stupid enough to get her name or even initials somewhere, down in a corner of the note. She settled for a tiny difference. On the reverse side of the note is the dovecote and chapel of the Abbey of Port-Royal, headquarters of the Jansenists, where Pascal did much of his work. In the background there is a tower and a clock. In the orginal note, designed for the Banque of France by an artist named Fontanarso, there is a background tower with a large clock. In the genuine note, the clock hands are set at noon. But the artist Rojas, who literally came on the scene later than did artist Fontanarso, decided her notes would show the clock at 12:05. It took more than five minutes for the Banque of France's experts to detect the small difference, but when they did they alerted all the supermarket cashiers in the Bayonne area. Anne-Marie passed seven notes before a cashier saw the later time. At her trial, Mme Rojas explained her family's impoverishment.

"My husband didn't give me enough money for the house and besides it helped me keep up my art." Her notes were good enough for the art-loving judge to approve, and she got an 18-months' suspended sentence. Not long ago, Pierre Leridon, who is head of the section devoted to anti-counterfeiting duties in the main office of the Police Judiciare, recalled the notes for me: "They were very pretty to look at and if she hadn't added that individual touch of the different clock hands, we might have had a more difficult time getting her. We were a little nervous about the matter for a short while because we still remembered vividly another lone counterfeiter, Bojarski, who had given us such a terrible time for nearly 14 years. But Bojarski, of course, didn't try to add an artist's touch. He was an engineer."

* * * *

The Spring of 1951 was not one of France's better times. There had been several weeks of strikes and public transportation was badly affected. The country was without a government for nine days. With the strike settlement came sharp price increases.

During that bad Spring, an ordinary Parisienne, one of the Bank of France's many banknote examiners, spotted the first of the 1000-franc notes.

For the next thirteen years, that note—and many more like it—were to haunt France's police force, Interpol, the Bank of France and especially a middle-ranking Interior Ministry official named Emile Benhamou. For him, it was to become the obsessive challenge of his life.

Benhamou, a short, ruddy-faced man with hooded eyes, had to deal with the notes because he was then head of the Interior Ministry's anti-counterfeiting brigade. He was a veteran detective who had broken many of the note-forging rings that plagued France after World War II. He now studied the new note carefully and was surprised at how good a copy it was.

Still, he was pretty sure it was a familiar case: a hard-pressed offset printer who had yielded to his ever-present temptations or to a gang's pressure, and was turning out the notes after hours. In France, as in most Western countries, this was the typical counterfeiting scenario. Inevitably, the gang would be caught before long because one of its members became too free with money or with words. Or more likely, sought out many distributors, one of whom almost always turned out to be a police informer.

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Within a week, a Bank of France official called Benhamou. "Good news. The 1000-franc Napoleon fake hasn't turned up any place else in France. Just a local nuisance."

For Benhamou, the news was puzzling at first, but gradually it became worrisome. It meant that he wasn't dealing with a typical counterfeiting gang passing its bogus simultaneously in different parts of France.

Perhaps it *was* just a Parisian gang. Benhamou and his men questioned dozens of informers in the milieu. Nothing. Hundreds of offset printers were checked: Who was having money troubles? Who had been gambling heavily, or had purchased large quantities of better bond paper? Still nothing.

For the first time, Benhamou played with discomforting thoughts: if it wasn't a gang, could it be a loner, a persistent, technically-minded crank doing everything himself?

Recalling those early days, Benhamou now admits that he was trying to reassure himself, quiet his ominous hunch. "I had never failed to catch a counterfeiting gang before, so why should one man prove so much more difficult?" Then came two pieces of news that started giving him the first of many sleepless nights.

First, he heard from American officials that the U.S. once had a one-man operation run by a German immigrant named Ninger who had turned out $20, $50 and $100 all by himself *for more than fifteen years before being caught* .

The next piece of bad news emerged when Benhamou checked further on the paper the counterfeiter used. There was something odd about the paper but the detective followed routine: all the paper makers, leading wholesalers and some retailers were visited. Benhamou's hunch was confirmed: none of them had ever made or sold the paper. The counterfeiter was almost certainly making his own.

"This was very serious," Benhamou recalled recently. "Paper making is a fine art. No counterfeiter I ever turned up bothered with it. But now we were dealing with an intelligent perfectionist, a man who knew enough to make his own. I aged a few years with that finding."

More checking. Recently retired or fired paper-making employes. What were they up to? Meanwhile the damn notes were turning up regularly in the Paris area. They were so good, they easily passed the fairly sharp eyes of storekeepers, of local bank tellers, and sometimes

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even some of the trained tellers of the Bank of France. Fortunately, the headquarters' women examiners, the keenest bogus detectors in the land, were finding the notes as they quickly riffled through their huge daily batches—notes turned in because they were torn or too dirty and ready for destruction.

By now thousands of notes had been found and Benhamou was getting glacial looks at the Bank of France. "Who else could they blame?", he shrugs. "The counterfeiter wasn't around, so naturally I got all the dirty looks."

Still, the forged notes remained a closely-held secret. In some countries such as the U.S., the official policy is to describe the characteristics of a major new counterfeit note as soon as possible. But in France they always fear if the weaknesses of the bogus notes are described publicly, the forger would simply remove the detected blemishes.

More years went by. More than 50,000 notes had been passed.

It is now 1959. Shouldn't bank tellers at least be alerted? "Yes, we talked about that a lot," Benhamou remembers. "But even if we wanted to send out a special warning to bank tellers, it would have been a bad time. The Bank of France was now calling in the old notes and issuing the NF (New Franc) replacements."

Benhamou hoped that the dangerous loner would presently tire of the game, would refuse to change his 1000-franc notes back to 100. Maybe he'd just retire.

He didn't. Soon, his new 100 NF Napoleon notes were popping up regularly as before. By now Benhamou had to steel himself for the stony looks and whispered asides he'd encounter during his visits to the Bank of France. "All my previous successes had been forgotten. Now I was just the man who wasn't curing this terrible headache. Like the tagline of that old joke: 'Yes, but what have you done for me *lately*?'"

As a counterfeit expert, Benhamou could understand the anger of the bank's officers. If these dangerous counterfeits continued, the bank might have to take a dreaded step: recall the entire issue of banknotes. The U.S. once had to recall its $100 bills to foil a clever gang. And the Bank of England had to resort to it in World War II because of the huge Nazi counterfeiting operation.

A recall, and a new issue to replace it, involved very large costs. But there was also French pride: how could the Bank of France openly admit defeat at the hands of some unknown and probably

amateur criminal?

Those were dark months for the bank, and even bleaker ones for Benhamou. By now the counterfeiter had been active for more than ten years, a terrible record for France. Benhamou and his men were reduced to checking out even the wildest tips. During one vacation, Benhamou went to Rome to check out a possible lead. Like the others, it was a dud. But while he was there, he had an audience with the Pope. The latter asked if he had any problems, spiritual or secular. Benhamou said, yes, he certainly had a very big secular problem. So big, in fact, that it might take a miracle to solve. He showed the Pope one of the dangerous counterfeits. He received the Papal blessing.

By now the Bank of France had become so desperate that it yielded on a long-held practice: the nation's banks were told about the dangerous notes and provided with three out of the four discernible differences between the fake notes and the real.

Why not the fourth point, too? Benhamou explained: "For all we knew, the forger might have worked in a bank. If we told him everything that was wrong, why he'd just improve his notes and then we'd be in even worse trouble."

The summer of 1963 was the lowest point in Benhamou's self-confidence. He had done everything he could, applied all his knowledge—and had failed. Somewhere in Paris some unknown crook was beating him, hands down. "For the bank he was a minor threat to monetary stability but to me the forger was the fiercest challenge ever handed me. I felt like a failure."

Even worse, for the past year or two the mysterious counterfeits had begun turning up in provincial cities, not just Paris. Always at postoffices.

A lot of man-hours went to checking hotel registration cards in those cities. All they found out was what they'd known all along—France had a lot of legitimate travelling salesmen who regularly toured provincial cities.

A few weeks later the first live clue came in—and went out. Someone had turned in ten of the 100-franc notes at a Paris post-office. And an observant, efficient postal employe had pinned the ten notes together and added a message. Surely, this was the long overdue break, the necessary miracle.

Benhamou nods sadly: "When I looked at the postal clerk's note I had to laugh at the terrible irony of it. Here was an intelligent, helpful

clerk who sensed that there might be something wrong with the ten notes. So he carefully pins a note to the batch, telling us about them. There was only one catch: *the message was totally illegible* . Our experts were stumped. Somewhere in Paris was a fine, shrewd postal clerk. But God help us, he was cursed with a miserable scribble even doctors would be appalled at!"

Still, it *was* progress. They now knew that the notes were probably being turned in at postoffices, and if 1000 francs had been involved, chances were that more than stamps had been purchased. More likely, the popular 5% bonds.

"Now we had to take thousands of Paris postal clerks into our confidence," Benhamou recalls. "We told them to be on the lookout for a young man or woman buying the bonds and using the 100 NF notes. We even told them of some of the more easily observable stigmata of the false notes, such as the broken lines above the "1" of 100, to the right of Napoleon' portrait." Why only *some* ? "Again, we had to be careful. For all we knew, the counterfeiter could be one of the postal clerks."

But why a "young" man or woman?

"We had to assume it was someone new to the business. So it was reasonable to suppose that the newcomer was comparatively young."

Finally, in December, 1963, nearly thirteen years after the first note turned up, came a real break. A woman postal worker phoned Benhamou's office: "A man sweating heavily was just here and bought a 1000-franc bond with ten Napoleon notes." She told a colleague to follow the man and get the license of his car. He did—but only got part of the license and the color of the car. The suspect, the clerk recalled, was about 40 and blond. The French auto licenses hadn't been computerized yet and it took several weeks before the right car—and its owner—was identified.

He was a used car salesman, Antoine Dogwaere, a Russian immigrant. He was put under 24-hour surveillance. He had a brother-in-law, a Pole named Shuvlov. The men were married to sisters. The families held a huge Russian Christman celebration at which lots of caviar was consumed. There seemed to be a great deal of money here.

Benhamou wasn't satisfied. "Neither one of these men had any of the technical background to have made the notes; worse, neither had the determination, the single-mindedness that I knew our man

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had to have."

On January 17, 1964, Shuvlov was arrested. He collapsed, recovered, confessed. The man who made the notes, he said, lived at 33 Avenue de Senart, in Montgeron, a Paris suburb. His name was Czeslaw Bojarski, a Polish emigre-engineer.

The upper middle class Bojarski's home, worth about 400,000 francs, was put under observation and the neighbors discreetly questioned. They said the Bojarskis were quiet, had two children and ran a Dauphin. M. Bojarski was supposed to be an inventor. No, the neighbors hadn't heard strange machinery noises coming from the house.

For Benhamou, Friday, January 17, 1964 is still the most vivid day of his life. "I put off making the arrest until late in the afternoon, around 4:30. By then we also had a lot of negatives: we knew Bojarski had no criminal record and as far as we could tell never had anything to do with counterfeiters or paper-makers."

Thirty minutes after Benhamou and his men entered the house, he began to realize that the search wasn't over. "We immediately started looking for the money factory. How long could it take? It wasn't that big a house. Minutes, then hours passed. Nothing. By 8 p.m. I was getting wild thoughts, such as getting a court order to tear the house down. By 9 p.m. I was no longer sure of anything: Were we making a terrible mistake? Had someone set up an innocent—Bojarski—for devious reasons? After all, this was an ordinary, nicely furnished home, comfortable but not ostentatious. It could have been the home of any middle-management executive."

The end came at 9:30 p.m.—came, because of one of Benhamou's men, walking across a linoleum-covered section of the floor, heard hollow sounds beneath his footfalls. Soon, a cunning trapdoor was revealed, opened, and Benhamou found himself in what he calls a 12-foot by 12-foot "Ali Baba Cave."

There they found a modified offset-printing machine, a bidet which had been used as a mixing bowl for the rainwater and cigarette paper which eventually became his notepaper; a round, doughnut-shaped metal container filled with sand which he used to age his notes. And various other ingenious devices Benhamou thinks it wise not to describe.

Now, with quiet pride, Bojarski told how he made his notes. How he brought down the machinery bit by bit and assembled it. After all, the neighbors knew he was an inventor.

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"All of us looked at him open-mouthed as he talked," Benhamou remembers. "What he said he did just seemed impossible. I figured he needed at least seven technicians to do what had been done down in that cave. I was so openly skeptical that Bojarski said, 'All right, I'll show you how I did it from start to finish.'"

He did it twice before Benhamou was convinced. One man, working ten hours a day on these amateur but ingenious contrivances, had indeed managed to turn out some 73,000 beautiful French banknotes with a seeming face value of more than $1,000,000. The most dangerous counterfeits the Bank of France had ever encountered had been made with home-adapted equipment that cost Bojarski about $10,000.

Upstairs in a large safe, Benhamou's team found—and confiscated—690,000 francs in the bearer bonds regularly bought at different postoffices. Gradually, more of Bojarski's background emerged. He was a mechanical engineering graduate of Danzig Polytechnique. His middle-class Catholic family left Poland when Hitler came in, but Bojarski, a Polish reserve officer, fought until captured. He escaped, got to France and joined General Anders Polish division. After the war, while stationed in in central Auvergne, Bojarski met Suzanne, daughter of a good French family. They married and his in-laws put up most of the money that enabled the Bojarskis to buy their home in Montgeron.

At first, Bojarski worked hard on several inventions: a new electric razor, a trick cork for bottles. But manufacturers weren't interested. Then he recalled something an economics professor had once told him: "A man who lights a cigar with his banknote is harming society, for every bill in circulation contributes to the wealth of society." From there, it was no great leap to the idea that the man who makes a false bill and introduces it into circulation is doing society no harm.

Bojarski studied paper making, visiting factories on guided tours. It took him two years before he turned out decent bills, good enough to fool postal clerks. When he needed spending money, he just cashed in a few of the bearer bonds. Later he enlisted his old army friend, Shuvlov, to pass the notes—for 10%. Shuvlov, in turn, made a passer of his brother-in-law.

What about the note-passing in provincial cities, far from Paris? How did Bojarski manage that? They never found his name on any hotel register. Very simple, he said. He would only take night trains. In the morning he'd get rid of a few dozen notes, have lunch and

then take a train back to Paris. No need to make that dangerous hotel registration.

At Bojarski's trial, much of the testimony was held *in camera* because the Bank of France feared that a too-close detailing of Bojarski's methods might inspire others. Bojarski got 15 years and his two passers, lesser terms.

At the 1969 Interpol Conference in Mexico City, Benhamou was the hit of the session when he presented his film—starring Bojarski. In it the counterfeiter showed step-by-step how he made his paper and notes in hs compact work area. At the end, Benhamou told his colleagues: "You have just watched the most talented, the most ingenious and possibly the most dangerous counterfeiter of the age. Thank God, he's behind bars."

When Bojarski was released in 1976, he moved to a small house his wife had established in a provincial town. Bojarski had received several book offers—and declined them. There were rumors that he had already written his technical memoirs for the Bank of France which had consigned the manuscript to a vault—after paying the author generously. Another rumor went that Bojarski was secretly on the bank's payroll, advising them how to make their notes counterfeit-proof. Neither story is true.

Today, at 69, Bojarski holds down a menial job. His daughter is married to a prominent French physician and she and her husband visit her parents regularly.

When I was leaving Benhamou I said, in passing, of course Bojarski changed his name when he got out of prison.

Benhamou reacted vigorously: "Change his name? Why should he? He wasn't publicly shown to be a pimp or cuckold. After all, what he had done. . ." He trailed off with a vague smile. Now that he is an official of the Bank of France there were some things that just could not be said publicly by Benhamou. Such as: "Why on earth should the man who achieved one of the greatest criminal coups on earth want to *hide* his name?"

* * * *

The counterfeiter seldom thrives in Japan. In a tightly-crowded city, the sound of a large offset machine working out of season arouses too much active community curiosity. In 1978, according to Inspector Shuji Kosugi of the National Police Agency, only 211 fake banknotes surfaced. (More than 100,000 were passed in the U.S. that year.) Since Japan has some 9.3 billion notes circulating—with about

three billion new notes made annually by the Printing Bureau of the Finance Ministry—the actual number of counterfeits circulating is unbelievably small. "It just never pays to counterfeit here," Inspector Kosugi explains, "so they don't."

Still, even in the remarkably homogenous Japanese population there is, every now and then, an aberration. The first manifestation surfaced in Akita, a provincial town noted for its wooden dolls. It was December 7, 1961 and no one took notice of the counterfeit 1000-yen note. (No one even entertained the notion that it might be an American counterfeiter out to revenge Pearl Harbor.) The last note appeared in April, 1965. In-between, this loner gave the Japanese police the most difficult, the most vexing, case in their history. And the most shameful: it was never solved. Isn't likely to be. The other loners were brilliant in their own special ways but all have to be considered failures. After all, they were *caught* , sentenced, and did long prison stretches. The Japanese loner not only wasn't caught; he also forced the Japanese Government to surrender.

It was an expensive give-up: after spending several hundred thousand dollars on its police investigation; after mobilizing 30,000 officers to try to crack the case; after questioning more than 140,000 printing workers, the Bank of Japan—the nation's central bank—decided it was time to yield. All 1000-yen notes were recalled and replaced with a new issue at an overall cost probably exceeding $50 million. The counterfeiter would, of course, have settled for far less—if only there were some politically-acceptable means of concluding a bargain.

The note in question was the 1000-yen—then worth about $2.78—bearing the engraved vignette of the seventh-century Prince Shotoku wreathed in green-and-black curlicues, and had been engraved and printed by the Printing Bureau of the Finance Ministry, Japan's equivalent of the U.S. Bureau of Engraving & Printing. Some $1½ billion of these notes had been made and were in circulation.

When the first bogus notes surfaced in 1961, the French Bojarski case had not yet been solved, so there was no particular reason for the Japanese police to think of a lone counterfeiter. In fact, everything they learned about the note indicated it had to be the work of a group of very well-trained counterfeiters. The trouble was that, because of the rarity of currency counterfeiting in Japan, there simply wasn't a wealth of previous *modus operandi* for the police to

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draw upon. Worse, there was an ingenious touch in the 1000-yen notes that made it almost certain that none of the old hands were involved.

In 1962 the Japanese police anti-counterfeiting squad was headed by Police Inspector Masayoshi Washizu. He is now retired, and recently in Tokyo he talked about the puzzling feature of the note—officially Chi-37—that frightened him and the officials of the Printing Bureau.

"Japan, like the United States and most European countries, has long relied on the value of the intaglio-raised surface on its notes. The public can *feel* the difference on a good note, even when its eye may tell it that there is no difference. Counterfeiters have never had access to the expensive intaglio-printing machines. For that matter, there is no way they could afford to buy such a machine even if they wanted to. What the makers of the 1000-yen Shotoku note had done is simulate the raised intaglio feeling in a very clever way. They added finely shredded lamb's wool particles into the ink to give the feeling of a raised surface. We don't know how they did it, but it was very ingenious, don't you think?"

He can talk about the 1000-yen-note case with comparative calm. But when the case was at its height between December, 1961 and mid-1963—although some notes kept turning up as late as April, 1965—the police and the nation's mood was one of frantic desperation as well as comic-opera laughs.

Extensive lectures were given regularly to bank tellers, department store and supermarket cashiers. More and more men were added to Masayoshi Washizu's normally small force, so, at its peak he had 170 detectives working on the case. They checked-out the workshops of every one of Tokyo's 50,000 master printers, although only 5,000 were considered skillful enough to have been possible suspects.

Unlike the Bojarski case, the police didn't have to worry about a counterfeiter who was also a paper-maker. The 1000-yen counterfeit was made on ordinary bond paper, available in thousands of shops.

For a time, Washizu suspected that perhaps foreign intelligence agents were involved. Perhaps the notes were a "test" conducted possibly by passers working on behalf of mainland China? the Soviets? The only difficulty with that theory was that if any foreign country was intent on "creating confusion in the Japanese economy" as he puts it, they would hardly do it by turning out the 1000-yen notes in such small quantities.

After all the obvious avenues had been explored fruitlessly, Washizu and the Printing Bureau agreed on another approach. Was it possible that there were far more of the counterfeit notes in circulation that anyone suspected? How about making every Japanese a counterfeit-note hunter? An official reward of 4000 yen (then about $11) was offered to the public for every one of the counterfeit notes found—provided the finder also told where he had received the bogus note.

The first winner was a 17-year-old Tokyo girl who found a note in the Parent-Teachers Association Fund of her school. Another was turned up by a provincial bank clerk.

Tokyo's department stores are inordinately publicity-conscious. Almost simultaneously, several of them offered even bigger reward. For every counterfeit note, they would offer 10,000 yen ($27.80) worth of merchandise. A contemporary cartoon shows a Japanese housewife riffling a stack of bills. "What a pity," she tells her husband, "all these are genuine."

The *ni-se satsu boomu* (counterfeit boom) was becoming a little embarrassing. Certain national basics cannot be laughed at very long without causing tremendous damage to the country's morale.

Early in December, 1962, at a conference of Printing Bureau officials and the Finance Ministry, Washizu had to admit that his specially-augmented staff had no live clues; that they weren't any nearer apprehending the counterfeiters than they were in December, 1961 when the first note surfaced in Akita.

The final decision was made in mid-December, 1962: the troublesome 1000-yen notes would be withdrawn and replaced with a totally new issue with a far more intricate design. "When a counterfeiter can do this good a job," Washizu told a press conference, "it is time that we improved our currency."

Eiichi Kobayashi, who had been Director of the Manufacturing Department in the Printing Bureau at the time of the great counterfeit, recalled recently that the country really had no choice: unless the 1000-yen notes were promptly called in, the fake money "would discredit the national prestige and trigger social unrest."

It may have been a great psychic victory for the unknown forger but it was an infinitely greater financial victory for Rino Giori. For years, he had been trying to sell the Printing Bureau in Japan his fine banknote-making machines. Now that the Bureau was scheduled to bring out a new and more intricate 1000-yen note, surely this was the

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time to get Giori machines. The shameful 1000-yen note and his long years of selling finally won out: the Printing Bureau bought $4½ million dollars worth of Giori equipment. (For some officials in the Printing Bureau, this was another and even deeper psychic defeat: for years, they had argued *against* buying the Giori equipment. They insisted that there wasn't any machinery made outside Japan that Japanese technicians couldn't produce on their own.) Still, the 1963 purchase of the Giori equipment was a first and last. Giori officials say that the Japanese simply replicated all the machinery sold them and now the Printing Bureau has many more Giori machines than they paid for.

The defeat in the 1000-yen-note case still rankles in the breast of Masayoshi Washizu , now 70. He became a Tokyo cop when he was 23, and stayed on for 33 years until his retirement in 1966. (He became head of the anti-counterfeiting squad in 1952.) He still refuses to believe that the bogus notes were made by just one man. "Too sophisticated, technically," he tells a visitor. "Too much. Five different kinds of ink were used. Lots of fine engraving. Even a dedicated maniac couldn't do all this by himself."

He knows about the Bojarski case, of course. And admits that Bojarski, who also made his own paper, could qualify for the title "dedicated maniac." Isn't is possible that such a one was also responsible for the 1000-yen note?

"No, no," he counters forcefully. "It had to be at least two men. Perhaps a veteran printer, plus a photoengraver-engraver. And even then,-both of them must have had at least ten years' technical experience."

Since the profits of the bogus operation were so minimal—only 343 notes surfaced, giving the counterfeiter a gross take, at best, of less than $1,000—did it make sense that two men could have devoted so much time and effort for so little profit? The Police Inspector admits he has no answers. It was the comparatively small number of notes floated that made him suspect—then and now—that it all may have been a "test operation" for foreign intelligence agents. Of course, if the notes had been done by a foreign country, clearly more than one man would have been involved in the making of the notes.

A Japanese newspaperman I know had followed the case and had once thought of doing a novel about it. "The difficulty is, I had great trouble trying to find a *motive* . The forger wasn't doing it to get rich.

He lavished so much attention on each note that there could not have been a lot of profit. No, it must have been someone out to achieve what had not been achieved before: humbling the police, the Printing Bureau, and the Finance Ministry at one and the same time. I worked on a plot that had a former minor employe, passed-over many times for promotion. But the trouble remains that he had no way of letting anyone else know of his great, unprecedented victory. It would have to be locked in his heart for all time. I even toyed with a deathbed scene in which he tells of his coup to his eldest son, who had always thought of his father as an honorable man but essentially a loser in life's stakes. But even as the son listens to his dying father, he refuses to believe, and when the old man dies the son tells no one. But none of it turned out very satisfactory and I abandoned the novel. I'm sure that if the truth ever emerges, it will be far more fanciful than even I dared to be."

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The Fall of the House of Waterlow

The apparatus for the manufacture of bank notes has an explosive quality, and whoever undertakes the business does so at his peril.—Sir Ralph Hawtrey, former President of the Royal Economic Society

In September, 1979, the Bundesdruckerei, the government banknote printers of West Germany, celebrated its 150 anniversary at its modern West Berlin headquarters. The banknote world turned out in strength and the departing guests received two souvenirs of the celebration. First there was a 228-page lavishly and colorfully illustrated history of the institution which has survived more economic and military ups-and-downs than any other banknote maker. There was also a smaller, unillustrated paperback whose blue cloth-like cover showed an old-style 1000 Reichsmark and an engraver at work. There was no title on the cover but the back cover had a tantalizing come-on. In translation, it reads:

> It is an honor for us to present you with a book whose contents crackle with suspense. No wonder: it deals with the stuff out of which dreams are made—banknotes! And the fact that it didn't happen in a strictly legal way makes it all the more exciting. . .We also make banknotes but not in a way that can make anyone want to wrinkle their noses at us. . .We wish you entertaining reading. . . YOUR BUNDESDRUCKEREI.

Then on the title page: Der Mann der Portugal Stahl—Der grosste Schwindel aller Zeiten. Or, The Man Who Stole Portugal—the Greatest Swindle of all Time.

I had written the book in 1966 and since then it had won a minor cult status in the banknote world. The book has long been out of

print and used copies now fetch several times the original price. Klaus Spree, the Bundesdruckerei president came across a German edition of my book and was fascinated. He ordered copies for friends but discovered it was long out of print. He mentioned it to his friend, Rino Giori, who thought how nice it would be for a special edition of the book in German in time for the Bundesdruckerei celebration. My permission was requested, promptly given, and that was how several hundred guests at the anniversary party got the paperback account of the great Waterlow disaster.

All man-made disasters bring about apposite learning materials: generations of master mariners had to study the official reports of the Titanic sinking; heavier-than-air designers were force-fed the details of the Hindenburg fire; and suspension bridge designers had to see time and again the memorable newsreels of the last moments of Galloping Gertie, the disastrous Tacoma Narrows suspension bridge that collapsed in Nov. 1940. I like to think my book has had a somewhat similar use in the training of neophytes entering the Brotherhood.

The Waterlow swindle was and is the hypnotically fascinating crime of our millenium. And because it happened once it could never happen again. The profound impact gave Portugal its worst shock since the earthquake of 1755, brought on the most enduring dictatorship of the century, wracked the Lord Mayor of London, ruined one of the world's great banknote firms and culminated in the longest and costliest civil case in British history.

Indeed, the only trouble with it is that it makes all the other outside enemies of the banknote world—the counterfeiters, the stock certificate forgers and tinkerers—seem like mischievious youngsters caught up in a lazy criminal notion.

Waterlow was the logical culmination of *all* the outside criminal efforts against the banknote world. What made it possible was that Artur Virgilio Alves Reis was such a criminal amateur he couldn't possible know his crazy scheme didn't have a chance in hell; that dozens of security measures, decades of banknote-maker precautions had to defeat him. Who else would dare come up with a foolproof counterfeiting scheme?

The audacity born of ignorance, the daring midwived by gross amateurism, gave the banknote world its greatest fright when it finally realized what this almost-bankrupt Lisbon businessman had been up to.

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Alves Reis solved the three great problems facing every counterfeiter. 1) How do you get really good notes to compete with the government which has the best engravers and access to the finest banknote printing machinery. 2) How do you distribute your unauthorized notes for *full* value, instead of the great discounts for which you usually have to sell them to criminal passers. And, finally, 3) how do you prevent the state from doing *anything* about your consummate crime once it catches on?

When he conceived his devilish daydream Alves Reis was 28, pudgy, vain, a chain smoker, married and the father of two small sons. Until his great scheme he was involved in nothing more criminal than forging a ridiculous diploma from the "Polytechnical School of Engineering" of Oxford University. This got him a job in the public works department of the Portuguese colony of Angola in December, 1916. He soon sensed opportunity in the private sector and right after World War he made considerable money in war surplus. He returned grandly to Lisbon and then speculated in stocks unwisely. On the verge of bankruptcy he conceived his splendid caper.

For his accomplices Alves Reis chose an integrated assortment of trans-national trimmers and corner-cutters. First, there was Jose Bandeira, the ne'er do well son of a prominent Portuguese family. His older brother was the Minister to Holland. Then there was Karel Marang, a plebian Dutchman grown wealthy during the war trading with the Germans. He was a snob and would have given almost anything to obtain a title. Marang, in turn, brought in Adolph Hennies, a member of the Imperial German espionage apparatus in Holland during World War I. He was a man with a secret, shameful past. Jose also brought with him his new mistress, Fie Carelsen, a prominent Dutch actress who towered over little Jose.

Alves Reis' cover story for his associates was that he had gotten the secret consent of the Bank of Portugal to help the bankrupt Portuguese colony of Angola. How? By floating a loan of $5 million. In turn the lenders would get the right to issue $5 million worth of Angolan currency. Since no businessman would think Angola was then worth any kind of risk, let alone $5 million, Reis made it clear that the loan was a fiction; but the right to issue the currency wasn't. He showed his associates the impressive Bank of Portugal agreement—which he had forged.

The group first approached the Dutch banknote firm, Enschede,

for help in getting the banknotes printed. Enschede gave them a letter of introduction to Waterlow & Sons, the eminent London banknote makers. When Marang went to see Sir William Waterlow the latter received him with some cautious warmth. Sir William, the tall, overbearing head of the firm had long sought a means of displacing Bradbury, Wilkinson, the main suppliers of the Bank of Portugual. The best Waterlow could do was win a minor contract to do the 500-escudo notes.

In time, Sir William, impressed with the Reis documents, did have his firm turn out more than $15 million worth of Portuguese escudo notes. (In today's terms, about $150 million.) Sir William had been told that in Lisbon the Bank would overprint the notes ANGOLA so that there wouldn't be any conflict with the notes Waterlow had already printed for the Bank of Portugal.

Through the use of a South American diplomat, Reis got the notes smuggled into Portugal from London. Meanwhile he had used some of the notes effectively to get permission to open new banks in Lisbon and Oporto. The new banks which had lots of new, perfectly good 500-escudo notes did a great business in foreign exchange, in making lots of business loans at slightly lower interest rates, in buying property.

There were several close calls en route. Although he had been cautioned that he must deal with the Bank of Portugal *only* through Marang, the chosen go-between, Sir William did routinely send an ordinary letter to the head of the Bank of Portugal affirming that his firm was, indeed, going ahead with the printing of a new large order 500-escudo notes. Somehow, somehow, the letter was never delivered even though the British postal system was the most efficient on earth then. Another time a technical supervisor from the Bank of Portugal was visiting the Waterlow plant in London and wasn't curious enough to inquire why Waterlow was running off 500-escudo notes when the bank's main supplier was Bradbury, Wilkinson.

The gods continued smiling on Alves Reis and associates. There came a time when ordinary Lisbon businessmen sensing a considerable rise in the number of new 500-escudo notes started murmuring that there must be counterfeits around. The Bank of Portugal took proper note of these common, widespread rumors and issued a press release of assurance: several careful examinations of the new 500-escudo notes had found no counterfeits among them.

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With the profits from the bank operations, Reis had Bandeira quietly buy the outstanding stock of the central Bank of Portugal. Less than half the stock was held by the government; most of it was in private hands, a fairly common European arrangement. Reis and his gang were within a couple of months of winning majority control when the scheme collapsed—because some of the new 500-escudo notes had serial numbers identical to some of the older 500-escudo notes.

Reis and Bandeira were arrested. Marang successfully resisted extradition from Holland. Hennies vanished. After trial, Reis and Bandeira got long prison terms. Marang turned his great gains from the swindle into what became a sizable electrical appliance factory in France—which his grandsons now run profitably and efficiently. Hennies died—or was killed—in Berlin in 1932. Reis and Bandeira got out of prison just after World War II. All the participants, including Bandeira's mistress, Fie Carelsen, a prominent Dutch actress, are now dead.

Fie Carelsen made a perceptive summary of the swindle for me when I interviewed her in 1964, in The Hague. She was convinced that her love, Jose, and Marang and Hennies had *not* known it was a criminal operation—at first.

"I think their *amour propre* couldn't allow them to think Alves Reis, the provincial businessman who spoke French so badly, could have tricked them just as he did the Bank of Portugal and Waterlow. Of course, towards the end they must have known the whole thing was crooked but by then it didn't matter: there was so much money coming in, no one wanted to ask too many questions.

"With a little more luck they could have all become wealthy, respected businessmen and financiers just as Marang did. Imagine, whole financial dynasties begun because a magnificent Portuguese liar dreamed up such an impossible scheme. . ."

Besides the terribly adverse publicity, Waterlow had to undergo a long series of expensive civil trials that carried through on appeal to the British Empire's ultimate court: the Law Lords of the House of Lords. Eventually Waterlow had to pay the Bank of Portugal $3 millon in damages. Another million was spent in the plaintiff's legal costs and for Waterlow's own high-priced counsel.

Sir William who had become Lord Mayor of London—a surprising number of Brotherhood members have been Lord Mayor in this century—died before the final House of Lords decision. But long

before he had been forced out of the leadership of the family firm. In time the disaster led to Waterlow getting out of security printing in general. De La Rue took over what little was left in 1961.

It's nearly two decades since the maker's name, Waterlow & Sons, London, has appeared on any banknotes but echoes of the case still resonate through the banknote world.

One night in London I had dinner with a retired member of the Brotherhood who had once worked for Waterlow briefly after the disaster.

"By any reasonable, normal patterns of chance it should not have been able to happen at all. So many times when the whole plot should have blown itself higher than Guy Fawkes. A Waterlow letter mailed but somehow never delivered. . .a phone call that should have been made routinely, but wasn't. . .I think what really bothers me is the feeling I've had for donkey years that the mischievous gods were involved somehow. They had a drunken night out on Olympus and someone said, let's throw a spanner in the Waterlow works. . .Dammit, someone, something, had to be protecting Reis from all his stupid mistakes, his idiotic blunders that would have stopped the whole thing in its tracks before Waterlow ran off even a single escudo note."

Before we parted he smiled crookedly. "Someone once said superstition is the poetry of life. You can always nominate me as poet laureate of the banknote world."

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Outside Enemies

He that does you an il-turn will ne'er forgie you.—Scottish proverb

Most criminals are deliberately unimaginative. They do what other criminals have done before with reasonable success. Yes, the cleverer add technical refinements, plot more elaborately, time more carefully. Still, it remains the same scam, the nearly identical template. The rare schemer who comes along with a fresh approach to an old crime gets attention.

Because they are the makers and repositories of so much potential wealth, the banknote companies get more than their share of interest from these dangerous originals. They are almost always amateurs, the only ones who can afford to do things for the first time.

When the intelligent amateur studies the tightly-guarded banknote world he acquires two surprising bits of useful knowledge. (1) the highest-value banknote out today is the 1000-franc Swiss note now worth $468. But with a bit less effort, a slightly larger piece of security paper can be made that could be easily worth $10,000, $20,000 or more. (2) The law seems less severe, less certain about schemers who fool around with stock certificates and bonds.

Banknote companies love to do currency, a great prestige item even if it isn't always a profitable one. But the bread-and-butter business are the repeat orders on stock certificates from large corporations. Every time shares are sold and bought an old certificate is cancelled and a new certificate has to be issued.

Counterfeiting stock certificates and bonds has been around for

more than a century. In 1865, one of America's great original counterfeiters, William Brockway, managed to get a remarkable set of plates to reproduce U.S. Treasury Notes, promising 7.30% interest, a deliriously high rate of interest from government securities *then* . The resulting product was so good several stung New York financiers brought suit against the Treasury Department, claiming that it had somehow allowed outsiders to make copies of their plates for the bond.

It's been downhill, technically speaking, since then. Most of the current fakes are made by offset rather than engraving, and the differences are apparent in seconds. Obviously, some bankers and some brokers don't even spend that much time checking the certificates. Usually, the counterfeit securities are offered as collateral on loans, often by businessmen known to the banker.

Stock certificates of most public corporations are engraved and printed according to New York Stock Exchange requirements. Among other things, it calls for a border of about twenty square inches done by geometric lathe-work; the vignette of a human figure, full face; and portions of the certificate must be engraved. In the photo-offset counterfeits there are blurred details and smooth, rather than the raised lettering of the genuine.

All this and more was quickly absorbed by an intelligent amateur in 1966. He had done his research competently, for he had been a history major when he graduated from Ripon, a small Wisconsin liberal arts college in 1960. His name was John Manning Hatch and until he had hit on the great idea, he had done nothing more unusual than marry well.

He had grown up in Great Neck, less than a mile from where I am now writing. While in his teens, his family moved to Virginia. After college, his first job was with an insurance company where he learned a good deal about real estate values. In 1962, at 24, someone who knew him described him as a "very pleasant person," who had a "compulsion to succeed." He was tall, slender, had dark hair and, another friend adds, "the kind of Tony Perkins look that attracted a lot of women." One particularly attracted to him was the daughter of a wealthy manufacturer who lived in Grosse Point, Michigan. She was also the granddaughter of a former U.S. Senator. The Hatches had a fashionable, well-attended wedding. In time, came the first of four children.

Hatch and his wife lived in McLean, Virginia for several years.

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After the birth of her first child, his wife ran a nursery school there. With some money he had inherited, and more from his wife's wealthy family, he hoped to become a wheeler-dealer in real estate. But he wasn't thinking in terms of eight-unit apartment houses or corner taxpayers. He was planning shopping centers and office buildings. Big-ticket items. The trouble was that his modest capital wasn't enough for such lofty real estate plans. He clearly needed much more capital—or the backing of capital., His evening library research was not along conventional lines. He was mainly curious to see how others, facing his problem—soaring imagination and falling resources—had resolved it. The simplest solution had been that of Ivar Kreuger, the Swedish match king. In the mid-Twenties he had an unwitting Swedish printer run off $143,000,000 worth of Italian State bonds. Occasionally, Kreuger allowed skeptical bankers to come with him to a huge vault to look at the pristine bonds—reassurance that the Italians were about to give a match monopoly to the Swede. But he never made an attempt to sell the fakes or get loans on them.

The loan route, Hatch quickly discerned, was the favorite of bond counterfeiters or thieves. Used as collateral, the forged item made it possible to get, say, a $70,000 loan on $100,000 worth of bonds or stock certificates. Of course, the borrower never intended to repay the loan, so eventually the banker would find that his collateral was counterfeit or stolen.

There were minor variations. Sometimes upper-level financial manipulators looting a small but solid insurance company or corporation would keep a large supply of good counterfeit stock or bond certificates on hand, only for the eyes of auditors or state examiners.

Hatch learned what was wrong with counterfeit bonds, in general. Mainly, they had the flat feeling of ordinary offset printing. Good bonds or stock certificates had a raised feel, thanks to the intaglio printing. The same inherent reflex that makes most of us run our fingers over a visitor's card to see if it is engraved, was what you should do with the borders and vignettes of the fancy piece of paper being offered as collateral.

After this basic research, Hatch did some careful thinking. He reasoned that any bank loan officer would be completely familiar with the widely-held General Motors, IBM, or American Telephone stock certificates. These were the standard stocks he accepted as collateral many times a year. But how about lesser names listed on the

New York Stock Exchange? The names would be familiar to bank loan officers but how often would they actually have seen the stock certificates of those companies? And how well would they remember the comparatively few they *had* seen? In the midst of this hard, logical thinking there intruded a misty, reverie-like memory of anagram games he once played as a boy. And soon everything connected.

His first move came in October, 1966 when he phoned New York's Security-Columbian Banknote Company for their price on 1,000 engraved stock certificates for a new corporation, T.P.W. Inc., in Ohio. He said he was a corporate officer.

Not an unusual request. Banknote companies love to do banknotes for foreign countries, but they really depend on repeat orders for stock certificates from large corporations. For years Security-Columbian had been doing the certificates for most of America's airlines, for Chrysler, Ford, Avon, Mobil. (Corporations stay with their stock certificate printer because it's costly to switch. Creating new engraved borders and new vignettes can run to $100,000 and more.)

A small, new corporation seeking its first stock certificates deserves care and courtesy. It could well grow so that someday it might be requiring large, steady orders—at 20 cents to 25 cents per certificate. A price list and a booklet illustrating standard engraved borders and vignettes was sent to the office of the new T.P.W. firm. Obviously, it was another small but wise corporation starting out in style. Instead of ordering a standard stock certificate package—flat, lithographed, routine certificates—from a legal-forms printer at perhaps $30-50 the package, the new T.P.W. sensibly elected to spend considerably more and get the real thing. So a package of 1,000 blank certificates was ordered for $270 cash in advance. At 27 cents each, the certificates were a bit on the high side, but they did have the feel of the real stuff. The new firm got 500 certificates that were denominated for 100 shares; 250 for less than 100 shares, and 250 for more than 100. Each category had a different tint.

From among the six stock-engraved vignettes that Security-Columbian showed Hatch, he chose an allegorical figure. This one of a woman seated on a draped marble throne. A very shapely leg is in the foreground and a firm, prominent right breast hits the eye right away.

Occasionally, the fates seem to smile on, even encourage, the

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foolish amateur. Gross, potentially catastrophic mistakes are forgiven. An alert Security-Columbian salesman might surely have questioned the fact that the new T.P.W. corporate secretary, P.W. Schuette, bore the identical name of an old and valued Security-Columbian certificate customer, *TRW* , a billion-dollar corporation which, oddly enough, was also incorporated in Ohio. An alert salesman might have realized belatedly that he had forgotten to ask the new TPW customer for the usual references, always required of new clients. But it was a bad time for Security-Columbian. The firm's dynamic, go-getter head, William R. Hunt, had died unexpectedly that spring. During the inevitable dislocations and changes, there were bound to be mistakes in judgment, oversights. Such as not noticing that T.P.W. was suspiciously similar to TRW.

With the T.P.W. certificates in hand, Hatch was now ready for the second step of his operation. He remembered how Ivar Kreuger had gotten "an unwitting Swedish printer" to run off $143 million worth of Italian state bonds. What he needed now was an unwitting printer to do far less, but something inherently more suspicious.

Hatch has never discussed his method at this step, but a friendly Federal investigator who had been involved in the case, told me how *he* would do it. "I'd find a small printer, outside a large city. Preferably someone with an accent, a foreigner. Someone who looked like he never heard of the *Wall Street Journal* , let alone owned any stocks of his own. A financial illiterate. You first ask him to do some letterheads and envelopes for your new corporation, *T.R.W.* , Inc. Yes. T.R.W. Then you give him a small order for business cards. You get friendly and by now you're sure he wouldn't know a stock certificate from a subpoena. Now you come to him for some help with an embarrassment: you had asked a New York firm to run off the new company's stock certificates. But through a terrible mistake, which may have been partly your fault, the certificates came through as T.*P.* W., Inc. On three places on the certificates, the "P" of T.P.W. has to be made into an "R". Just a tail to be added. Because it was partly your fault, you were ashamed to show the stock certificates to your associates in the new venture. So now you needed the friendly printer's help: somehow, could he add the necessary tails, make the P's into R's on the stock certificates? The obliging printer says, sure. He did.

Hatch had created another new firm, North American Investment of Washington, D.C. As an officer of North American, Hatch ap-

proached a Virginia bank for a $78,000 loan on $121,000 worth of collateral. Most of the stock was, of course, the T.R.W. certificates, but Hatch cleverly mixed in with the batch some of his own genuine stock certificates of 100 shares of General Motors, 50 shares of ATT and the like, a real flavoring of the genuine. If he had presented *only* T.R.W. certificates, they might have gotten more attention from the banker than he wanted. The banker had, of course, heard of TRW, a great conglomerate that also had TV commercials ("A Company Called TRW"). What he didn't know was that TRW was its normal title, not T.R.W., as Hatch's stock certificates had it.

With its first $78,000, North American Investment now had genuine capital for the first time, and it began wheeling and dealing in real estate ventures. Most of them were quite profitable. And in six months, after having paid the interest on the $78,000 loan regularly, Hatch was able to pay off the loan and take back the collateral the bank was holding.

The next loan was more, of course. This time he got $148,000 by posting $200,000 worth of stock certificates with the Riggs National Bank of Washington, D.C. Most of the real estate deals were in Virginia, and profitable.

In 1970, Hatch felt it was time to get another corporation into the act. His T.R.W. certificates had been around long enough. On January 15, 1970, he phoned the Broad Street headquarters of American Bank Note Company in New York. He gave his right name and said he represented the Erro Corporation, recently incorporated in Ohio.

Unlike most criminals, Hatch became wiser with success. He didn't tempt fate by going to the same banknote company. This time he got the same 1,000 stock certificates and the order cost him slightly more, $276. Now he had to see to it that his nearly worthless engraved stock certificates again underwent a magic transformation: with the mere addition of three letters to the face of the stock certificate, he could turn the piece of paper costing him 27½ cents, into a security worth thousands. Again, a financially illiterate printer. Again a tale of silly, embarrassing error. And now the Erro Corporation found its true identity: Ferro Corporation.

Erro had no past and no future. Ferro, listed on the New York Stock Exchange, was a prominent maker of specialty chemicals and other materials such as color concentrates. It had a market value of about $150 million. Not one of the industrial giants, but still, a respec-

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table, steady dividend payer with a bright future.

With his new, edited stock certificates, Hatch became bolder. He typed in his name and a single certificate indicated that John M. Hatch was the "owner of 5000 fully paid and non-assessable shares of common stock of Ferro Corporation," then worth nearly $100,000.

More bank loans from a broader range. Baltimore, Detroit, Arlington, Va. Deals completed, profits taken, loans repaid with interest. The Hatches had moved to a much larger home on Windmill Pointe Drive in Grosse Point Park near Mrs. Hatch's wealthy parents. The Hatches became active in local and Detroit society activities. Things were going very well. Anyone who drew Dun & Bradstreet reports on John M. Hatch and his allied corporations, Greenbrook, or North American Investment, would have been impressed with the solidity of the firms, with their great credit-worthiness. They borrowed a lot and always repaid on time. The banks loved them.

Six months later, Hatch decided it was time for another corporate ghost to become solid multimillion-dollar flesh. This time via his first banknote company: Security-Columbian. This time it was the Arcor Corporation of Delaware. And in time, via time-tested methods, the penniless corporate orphan emerged as the wealth-laden heir: Marcor which, in turn, had once been Montgomery Ward.

He was bolder this time. He now had a Marcor certificate in his name for 12,000 shares, then worth about $280,000. More loans: Detroit Bank & Trust, First National Bank of Washington, United Virginia Bank. Now his collateral had a fascinating mix: half the stock certificates were genuine, and the rest a mixture of Marcor, Ferro and T.R.W. But it wasn't the best time for real estate deals. A lot of other realty-investment companies were being wiped out by fast-rising interest rates and declining rentals due to a recession. In May, 1973 Hatch approached the City National Bank of Detroit for a $400,000 loan, offering his usual mix of stock certificates, both good and bad.

Now he got caught up in the fate of a much less successful criminal: City National Bank had been taken in, a few months before, by a loan based on *stolen* stock certificates. Now, every stock and bond offered as collateral was being checked. His carefully amended certificates were intended to pass the casual eye, the lazy financial mind not the immutable numbers contained in the corporation's transfer agent's computer. No, the Bankers Trust Company of

New York had never issued Ferro stock certificate number NU 500 23 for 5,000 shares to John M. Hatch. Morgan Guaranty Trust Company of New York had never, never issued a 12,000-share certificate for Marcor, Inc., number U 15201, and so on.

He was arrested on July 18, 1973, was arraigned and pled guilty. In October, he appeared before Federal Judge Lawrence Gubow in Detroit for sentencing. By then, the figures had come out. In all, he had pledged $1,864,000 in his "edited" stock certificates, plus some $300,000 in legitimate stock. Bank officers were apologetic for being taken in. They admitted they had been influenced by Hatch's "impeccable social credentials," but more importantly by the fact that he had repaid every previous loan on time. When he was sentenced, he still had more than a million in loans outstanding, in ten different banks in the Detroit and Washington areas. Judge Gubow, despite having received "many letters saying what a decent person you are," gave Hatch four years in prison for stock fraud.

When he was arrested there was a search of his office and it was clear that in a few days he was about to try to convert the worthless RAVO Corporation into the substantial middle-weight corporation called DRAVO which then had a market value of about $150 million.

On November 2, 1973, Hatch entered the Federal Penitentiary at Standstone, Minnesota. Eleven months later, on October 21, 1974 he was paroled. Unquestionably, the fact that he was a first-time white-collar offender helped.

Not long ago, I talked to Hatch by phone. For a time, he had toyed with the possibility of giving me a full, frank account of the crime for a possible book. But he decided against it. He's now working in a large eastern city. His wife and children are with him. The banks he owed money to, just about got everything the Hatches owned—including their Grosse Pointe home.

I visited Peter Kimball, a vice-president in charge of securities at American Bank Note. "We were lax," he admits. "We should have asked for references and really checked him out. Now a new corporate customer comes along, we check them out six ways, including the trust company that's supposed to be their transfer agent. Have you accepted this new outfit as a client? If they have, we assume by then that *they* have also done a fair amount of checking. That helps. But no matter what—when we get a new corporate client—in the back of my mind I'm going to play anagrams with the name. By adding or dropping a letter, can you get a different and

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more marketable 'name' stock? But I don't think anyone's going to try the Hatch game anymore. They'll think of something else. A great banknote company like ours is a perpetual target: one of the few places where you can take a few cents' worth of engraving, rag paper and ink and turn out something worth hundreds, thousands, or even millions."

I mentioned that the company had long prided itself on its resident "counterfeiter," a veteran engraver-printer who tried to emulate the company's banknotes as a criminal would. I said that what the company ought to have was a resident professional schemer—perhaps a reformed crook. Whenever he came up with a scam that might work against American Bank Note, it would be time for security changes to be made. Kimball shook his head.

"Too many temptations around here for a reformed crook. Give him a private playground like a banknote company—and goodbye reformation."

* * * *

An apothecary jar filled with red, yellow and green lollipops rests on a reception-room counter at the Jeffries Banknote building. It is a squat, concrete landmark just off the Harbor Freeway in Los Angeles. On the jar, a note invites you to: "Lick your printing problems with Jeffries." You just can't see American Bank Note or De La Rue doing anything that corny and small-town.

Being small helps. Your dignity isn't so high it wobbles. Jeffries has no illusions about its role as a banknote company. It is one of the smallest—352 employes, and about $18 million in annual volume—and almost never gets involved in big-league competitions. The last time it got a foreign contract—for El Salvador government bonds—it took a beating because, as its current president Frank Gillett puts it, "somehow the firm failed to realize that the multicolor bonds would have to go through twice, since we were equipped to do only one color at a time. Lost our shirts on that."

Jeffries hasn't been seriously in the international banknote market for thirty years. It had participated in the great China bonanza of 1940-48, when just about every banknote firm was getting rich pouring out currency cascades—cool reds, blues and browns—for Chiang kai-Shek's China. Even then, Jeffries was really just a subcontractor on an order from an older and larger banknote firm, Security-Columbian. But it was running three shifts a day for four years—all for China.

What Jeffries does do well are California state and county bonds, travellers checks for Bank of America—very big—and corporate securities for firms such as Walt Disney, Technicolor, Norton Simon, Pacific Northwest Bell Telephone, and Security Pacific Corporation. It was corporate securities and an innocent carelessness that almost destroyed Jeffries. Twenty years earlier in London, another and much larger banknote maker, Waterlow & Sons, had to leave the field in humiliation because it, too, had blundered, had been incredibly careless. Jeffries was luckier.

* * * *

We are lunching at the Jonathan Club, the spacious, opulent heart of the old-line Los Angeles establishment. The world beyond films and the rag trade. Larry Jeffries is Life Member No. 14 at the Jonathan. In 1930 when Larry was 18, his father, William L., was just finishing his seventh year as president of the club. For $1,000 he bought his son a life membership. William L., in addition to being one of the great builders of the club, had also been the founder of Jeffries Banknote Company in 1894. His oil portrait hangs prominently in the great hall of the club.

Since he's been a club member for more than 50 years, Larry knows just about every member: banker, attorney, mortgage broker, state official. And, inevitably, everybody knows about Jeffries Banknote Company by now.

In some ways Larry Jeffries is a time-warped throwback to the American Twenties when the bond salesman, the genial, Princeton-Yale man with no particular skills, but good family connections was put to work in the Street selling bonds. In his time, Larry Jeffries was probably the most successful bond salesman in the American West, even possibly in the U.S. itself. The difference between him and the old-line Princeton-Yales was that Larry was a super-wholesaler; they were just retailers.

Larry Jeffries is 6'3", slender, gray hair brushed back. At 70, he still rides or plays golf every day, now that he is semi-retired from Jeffries. He has an office at the firm's modern plant, because no one alive knows more about every California city, county, or state official who might need bonds printed. He has played golf, kidded, and drunk with every one of them. Jeffries got the enormous order for the Feather River Canal Project Bonds, a print order worth $1,800,000. Jeffries also got the BART (Bay Area Rapid Transit in San Francisco) order for $750 million worth of bonds.

Some years ago, when Bill Hunt was head of New York's Security-Columbian which had given Jeffries its great war-time Chinese security business, he talked about the "great setup" Jeffries had in California. "In the first place, they're *there* , which means on a hurry-up order they generally can deliver a couple of days sooner. They also have the basic plates and borders, which gives them another edge. And finally, Californians are damn insular: very suspicious of outsiders. So hardly anyone else bothers to bid on California bond issues of which there are more and more. Little Jeffries thrives."

Actually, Hunt did once try invading Jeffries' territory. His firm was bidding on the $750 million order for BART rapid transit bonds in San Francisco. Security-Columbian had a lower price but were prepared to be ready to deliver only in New York on the date required. "We had offered delivery in New York *or* California, so we got the job, even though we were higher," Larry Jeffries recalls with great satisfaction, a minor league manager who outsmarted the Yankees.

Sometimes, Larry Jeffries still thinks of himself as a playboy who got lucky. "I wasn't the smartest kid in the world, let alone the best college student—or the best behaved. I was in and out of five colleges and didn't graduate from any of them. I always enjoyed life and those characters who lived only to build up XYZ Industries were always a mystery to me. Still, I had one asset: I liked selling because it called for a lot of playing, partying, and getting to know and remember hundreds of first names. That's my league."

He also had a lively sense of fun, which would automatically make him dangerously suspect in the banknote world, where seriousness and gravity are basic requirements. Shortly before the first Moon-Walk of 1969, Larry got up a mock bond for Jeffries' friends and customers. With its engraved borders, its huge ornamental guilloched rosettes front and back, the 9½" by 16½" "Crater Improvement Bond" was a broadly-humored mockery of the typical California district-improvement bond. This one was issued by the "City of Moonrovia, County of Lunatica, State of Quo. City Treasurer: Larry Jeffries." And unlike the typical bond, this one had a blunt frankness: "After investors in the Greater Crater Improvement District have been thoroughly taken to the cleaners, the same dishonorable group which issued these bonds will be. . ."

In 1942, when he was 30, Jeffries was draft-deferred because he

was working with Lockheed Aircraft in Eire, then disguised as a supply base for England. He came down to London in the spring and carried a note of introduction to Sir Philip Waterlow, head of the then still-striving Waterlow & Sons, banknote printers to the world. Larry recalls the incident:

"We meet, and he doesn't say hello or anything, but pops two quick questions at me: 'Is your firm fighting American Bank Note? And are you printing Chinese notes?' I open my mouth to say I'm not sure, but he says: 'Never mind, young man, I know you are.'"

Sir Philip took him to lunch at Claridge's and he talked about the banknote business in general. Later, when Larry was being driven to the Waterlows' weekend place, Sir Philip's wife finally opened up the forbidden topic: "Did Philip ever tell you about the Portuguese Banknote case?" At first, with some ill-grace but then with mounting excitement, Sir Philip told Larry Jeffries about the incredible plot, originated by a bankrupt no-account Lisbon businessman with a pair of Dutch and German partners. Later, Sir Philip showed Larry the cancelled check for £610,000 (then about $3,000,000) that Waterlow had to compensate the Bank of Portugal, according to a decision by Britain's highest court. The check was framed and hung on the office wall.

"A potential customer comes in and I proudly show him that framed check," Sir Philip told Larry. "I say a firm that can stand a blow like that must be a pretty strong firm, wouldn't you agree?" Larry politely said he would agree, but privately he wondered whether any banknote firm could survive the enormous loss of confidence, not just the heavy court damages awarded Portugal.

Jeffries' own moment of danger came from two different directions in 1971-72, from two different sets of Los Angeles schemers.

Sometime early in 1972, the men who had promoted Equity Funding into one of Wall Street's fastest-moving stocks, were faced with a peculiar problem in their Beverly Hills headquarters. With the help of thousands of fictitious insurance policies and fake bank deposit slips they had succeeded in making a modest insurance operation seem like a major one with a phenomenal growth rate.

What they needed now was a further means of deceiving their accounting firm, Seidman & Seidman. In particular, they needed about $24,000,000 worth of bonds to offset an imbalance in the company's books. One of the conspirators remembered how the great financial wizard of the Twenties, Ivar Kreuger, had solved a vaguely

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similar problem: he had "an unwitting printer"—the Bortzell Company of Stockholm—run off $143,000,000 worth of Italian State bonds. These were only casually inspected from time to time by an occasionally insistent bank or financial house about to invest heavily in another of the Match King's ventures.

Equity Funding had its own print shop for the many insurance forms it needed, but the schemers suspected that proper-looking bonds might be beyond the shop's capabilities. An ad hoc committee consisting of Lloyd Edens, vice-president, and Arthur Lewis, chief actuary, was formed to look into the bond-creating business. First step was to visit Jeffries Banknote in downtown Los Angeles. Jeffries had printed Equity's stock certificates when the firm was first listed on the American Stock Exchange.

At Jeffries the committee of two was shown how new bonds are created; how engravers prepared special vignettes; how the intaglio press produced the impressive raised surface borders of the bond, how the numbering machines worked, and much else. They were also given a few specimen bonds. Any legitimate corporate officers would have been shown the same courtesies.

Reluctantly, the Equity Funding men decided there was no way they could con Jeffries into running off bonds for them—bonds of genuine existing corporations. Nor did they dare approach Security-Solumbian Banknote in New York, even though that firm was printing Equity's new stock certificates as well as their 9½% debenture certificates.

For a time, the conspirators fooled around with making their own bonds in their captive print shop. But they finally agreed the homemade stuff wouldn't fool even a hurried auditor. They didn't have the *feel* of real bonds, the look of money. So, in the last frantic days when discovery of the fraud seemed certain, they burned most of their homemade bonds.

What they didn't know then, fortunately for Jeffries Banknote, was that less than two miles from Equity Funding's impressive headquarters lived a one-time dress-shop owner, a perpetual, smalltime gambler named Alan Levy. Or that Levy and a small group of bungling conspirators had possession of what was potentially $800,000,000 worth of fine stock certificates and bonds printed by Jeffries. There were minor blemishes, others were off-center, and the securities needed a few final touches—signatures, for example—but hardly anything that the Equity Finding crew couldn't handle. It

would have been easy to put together an impressive package of bonds and securities that might have impressed Equity Funding's auditors, and offset their enormous $24,000,000 imbalance.

If Lloyd Edens or Arthur Lewis had known of Alan Levy's incredible hoard, Equity Funding just possibly might have held out a few more years as the swindle grew exponentially. In that case, Jeffries' certificates might have had a crucial role. However innocent, however unwitting, such a role could well have led to its ruin, in even a shorter time than it took Waterlow to go under.

All this is pure conjecture, of course, but still, it is a possible scenario. It *didn't* happen, and the dire consequences didn't follow. Jeffries was saved from *that* . But it couldn't be saved totally: there was a price, a fairly heavy price to be paid for the great carelessness that led to Alan Levy & company acquiring the thousands of stock and bond certificates of major U.S. corporations.

In early 1971, Jeffries was told by the Los Angeles anti-pollution inspectors that the firm could no longer use its incinerator to destroy spoiled, ink-blotched, or off-centered stock certificates or bonds; or the discarded certificates of some of its customers.

Jeffries may be small, but it isn't timid: "How come the Federal Reserve also in Downtown L.A., is still permitted to burn its old banknotes?" Yes, the local smoke-enders were aware of that violation. They couldn't touch the Federal Reserve. But they could shut down Jeffries. Quick. Jeffries' immediate problem was a large batch of old stock certificates of International Chemical & Nuclear Corporation. Jeffries had to run off a new issue of International Chemical when it had gained access to a New York Stock Exchange listing. The old certificates were entrusted to Jeffries for destruction. In the past, before the anti-pollution laws, the firm simply incinerated, or, as the formal instructions accompanying the old certificates put it: "burned to ashes." Unable to follow the old method, Jeffries placed the certificates and others, such as Sante Fe Intl., Kaufman & Broad, Executive Life Insurance, that had to be burned, in six "destruction bins." These were picked up on February 1, 1971 by representatives of the Certified Incinerator Company. Soon after, they delivered the bins to the Kassap Rag Company in East Los Angeles for shredding and grinding. Jeffries got a proper receipt which stated:

> We, the undersigned, hereby certify that the above number of containers were picked up on this date and removed to plant

for destruction via grinder. All precautions were taken to ensure security by immediate destruction of all contents.

They weren't destroyed because Gerald Kassap, then 40, fat, oily-faced, went through the bins at his dilapidated plant "a scroungy, sweaty place," and decided that maybe the Jeffries stuff deserved a better fate than destruction in his grinders. He wasn't quite sure what that fate was, so he called in an acquaintance named Stephen Berg who ran an industrial linen supply firm and supposedly, had "connections all over." Berg saw the stock certificates and bonds and agreed with Kassap that the stuff was too good to destroy. He, in turn, called in an acquaintance, Alan Levy who, he was sure, was the man to figure out just what to do with the stuff.

Levy, son of a Chicago dentist who had a number of minor-league Mafioso among his patients, had drifted out to Los Angeles and did fairly well for a time with a couple of dress shops. But his real interest was gambling—on college and professional football games. Eventually, he began a point-spread tipster service for other gamblers. The week he was called into the plot, he was flat broke because he had lost $7,000 on his own selections.

The whole story, told from Levy's viewpoint, appeared in a small, entertaining volume in 1974, entitled *The Levy Caper* . It was told by David Shaw, a prominent *Los Angeles Times* by-line. In the book, Levy is described "like an affection-starved puppy; elfin, roly-poly, puffing on that comic strip cigar, he's about as intimidating as Julie Andrews." But he could also be "menace and mayhem incarnate. His voice is an ugly snarl, the air blue with profanity". . .

More to the point, Alan Levy knew nothing of the stock market, the intricacy of handling stock certificates, transfer agents and the like. But he sensed a lot of money, so he proceeded to bring in "experts." Unfortunately for him, they were broken-down former stockbrokers or bond salesmen. In New York he met a man named "Rod" who filled him in on what had to be done to make the stock certificates "marketable" for underworld disposal.

"There are a lot of things that are normally done to stock certificates after they're printed but before they're actually issued. First, these have to be . . . filled out in someone's name . . . You can just pick a name out of the phone book if you want . . . You'll also need a date stamp here and a transfer agent's signature here, and a recorder's signature here, and a signature-guarantee signature here."

Later there were secret meetings with "Rod" in Vancouver and a

rendezvous in Europe with American con men and with some of the many marginal underworld characters who were in the then growth industry of peddling stolen or forged stock certificates and bonds. One of their associates was Ernest Shinwell, the often-in-trouble son of Lord Shinwell, an old British Labor Party stalwart.

The net result of an extraordinary amount of amateur scheming, meeting and travelling, was a piddling return. Although the assorted plotters had between $9-10 millions in reasonably negotiable altered securities, they were able to get only $77,000 out of two U.S. banks where they placed some of the certificates as collateral for loans. And the $77,000 had to be split several ways. The detailed account of the extended maneuvers, lies, holdouts, and gross errors perpetrated by this inept gang is an amusing manual of what *not* to do—the Bungler's *Baedeker* .

Kassap and Berg were convicted after trial, and received probation. Alan Levy, who pled guilty, got six months. Shinwell did time in a Swiss prison and is now out. Levy is still living in Los Angeles with a new wife and a new business. He resolutely refused to discuss the case with me, trying to forget, as his biographer, David Shaw, told me, "that he was once the scourge of two continents." Anyway, a minor nuisance.

For Jeffries, the *surface* effects seemed negligible. "Actually, we had no great loss on the caper," Frank Gillet, Jeffries' president, told me. "The documents left our care without necessary items or signatures. Which meant that forgery had to be committed to make them 'marketable,' so it wasn't our fault as far as insurance coverage went. . .but don't think we got off scot-free. There was a lot of damage to our reputation." And to their list of corporate clients. Several of those whose stock certificates and debentures had been let loose to land in the hands of Alan Levy,understandably decided they wanted a more vigilant printer of their stocks and bonds. There had to be an accounting for the heavy damage to the Jeffries reputation, for the considerable and sudden loss of old clients. Jeffries' president, James Arrington, who had come up through the ranks, was asked to leave. Some 80 employes were dropped because of the fall off in business. Frank Gillett, former head of the Bullock stores, was brought in as president. He didn't know anything about the banknote business, he admits, but "I'd lived in Los Angeles since 1941 and since I knew everybody here I figured that I could get Jeffries some new business."

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The loss of clients was painful but there was another possible loss that could have been catastrophic. Since 1970, Jeffries had been working with Bank of America to help produce a more secure travellers check. Before that, Bank of America had depended upon American Bank Note which was the great supplier of American Express checks, too. But Jeffries had persuaded the Los Angeles-based Bank of America that it could do a far better job.

Bank of America agreed, but brought in Dr. Virgil Barta, a heavy-set, 60-year-old security-printing consultant. His doctorate comes out of the Rochester Institute of Technology. Barta's job was to help design a travellers check more secure than any in existence, a document that just couldn't be copied by any average printer. One of the accompanying conditions, insisted on by the Bank of America, was that the basic check color had to be a certain orange, because the California state flower was the golden poppy.

The lengthy design project, which had been budgeted by Bank of America at $250,000, eventually cost them $500,000. By August, 1973 Jeffries started regular delivery of the new travellers check to Bank of America under heavily-armed guard.

It was this business that Jeffries trembled about, during the undestroyed-certificates mess. To complicate matters further, there were several hundred Bank of America courtesy check-cashing cards in the batches of material delivered to the Kassap Rag Company early in 1971. And somehow, many of those slightly-defective check-cashing cards had gotten out. Early in 1972 the Bank of America filed suit against Jeffries Bank Note, seeking $134,417 plus. The bank was out that amount at least, because some check-cashing cards had fallen into unauthorized hands. Eventually, the case was settled out of court for $150,000 and Jeffries retained the bank's travellers check business which today forms an important part of its production. All Jeffries will admit is that it does "about 75,000,000" travellers checks for Bank of America a year. But outside experts think the number is considerably higher, perhaps as much as 10 million a month. At roughly three cents each, the travellers-check production is a hefty $3½ million item for Jeffries, or nearly 20% of its output. Clearly, such a loss would have been disastrous for Jeffries.

Toward the end of my tour of the large, $4,000,000 two-story, reinforced-concrete plant of Jeffries, I was shown a large, squat, ugly metal box near the firm's receiving docks. It was a SOMAT, a grinding and dissolving machine Jeffries installed after the debacle.

The machine first cuts all the wastepaper into thin strips, and then chemicals are poured in to help the machine turn the paper strips into an end product that looks like wet clay. It cost Jeffries about $35,000.

Frank Gillett patted the machine and nodded grimly. "What a lot of grief, what a lot of customers this baby would have saved us if we'd only had it in 1971! Hell, if they knew what was coming, the firm would gladly have paid, not just $35,000 for it—but $350,000. It would have been worth it—easy."

Several years ago, Jeffries ceased to be an independent firm owned by the founder's two sons, Allerton and Larry. The firm was bought by Ticor of California, which used to be the old Title Insurance & Trust Company. Ticor had gathered a group of specialty printers around the country under its wing. In 1979, Ticor itself was absorbed by Southern Pacific which started out as a railroad and is now an important conglomerate.

"My friends say I'll have to put on a train engineer's striped cap," Gillett jokes. "But what you really need in this business is a construction worker's hard hat. You can't tell what's suddenly going to fall on you out of nowhere. We've come through some rough falls and we're doing well. We now have the third generation of Jeffries' in the firm—Tom Jeffries, Allerton's son—and we're doing fine. The Bank of America travellers checks have fewer counterfeits than ever before. I guess we're doing things right."

As we walked toward his office, some visitors were examining a before-and-after set of stock certificates for a Jeffries customer, International Rectifier. In the older version, the allegorical vignette was of a handsome young woman, scantily-clad in a diaphanous wrap. Her figure—marvelous legs and prominent, firm breasts—seemed to belong more to the Petty School than the traditional allegorical golden age favored by banknote engravers. (Stock Exchange regulations call for vignettes on stock certificates to include a human figure with visible areas of flesh. The subtle tone of fleshy areas and the folds of robes are thought to be the hardest features to copy.) The revised version, asked for by the company, hid some of her charms somewhat. The visitors were naturally intent on the "before" version. One of them, looking like a rather starchy-banker type, turned to his companion: "That one can rectify me, anytime."

In his office, Gillett grinned. "I forgot to add that besides the heartaches, headaches and grave emergencies, the banknote business

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also gives you a few laughs sometimes."

* * * *

Sooner or later everyone who works for a banknote printer gets a mock-querulous: "How come you never bring home *samples* ?" The faithful employe smiles wearily: he's been hearing *that* one for years.

In fact, the banknote firms do make samples and certain of their salesmen do take them home—and elsewhere. The samples are called specimens and come in two types. The first, the *original* specimen, is simply the banknote firm's own neutral creation. Yes, it's simpler to show a potential central-bank customer, Nation A, samples of the notes you've done for countries X, Y, or Z. But sometimes the intimate, secret diplomacy of Country A might put it on a collision course with Country X, Y, or Z, and the fact that the banknote is doing their notes, might be terribly offputting right then. Hence, the neutral sample. The standard specimen American Bank Note uses looks vaguely like a U.S. dollar bill in terms of size and colors. But in place of the United States of America there is American Bank Note Company. In place of Washington there is the vignette of some benevolent-looking, somewhat fleshy Latin American face taken from American Bank Note's enormous stock of vignettes. These sample notes are also used for experimentation of all kinds.

I have a sheet of sample postage stamps issued by the old Security Banknote Company. These look like any number of airmail stamps of the early Thirties and show what looks like a single-engine high-winged plane flying over a serene lake with mountains in the background. The basic color is blue. At the side are two intricately-engraved boxes with the figure "20" in them. Atop is SECURITY BANKNOTE COMPANY and at the bottom, SPECIMEN.

Every banknote firm has specimens of currency and postage stamps, but there's another type in more general use. Peter D. Kimball, vice-president of American Bank Note, explains their origin:

"We get an order for stock certificates, perhaps 50,000. The ompany expects to be around a while and have a lot of stockholders. When we come to doing the job, we generally turn out an extra hundred as *specimen* notes. The only difference between these stock certificates and the ones we turn over to the corporation that ordered them is that these have the word SPECIMEN stamped twice on them in red ink near the bottom of the certificate. Then to make doubly sure, we put in two punch holes, one each near the signature of the

secretary and the treasurer of the corporation."

The specimen notes have specific uses: the corporation's lawyers need them for corporate records. The transfer agents—the bank or trust company the corporation has appointed to act for it in executing and recording the transfer of its stock from one legal owner to another—need copies of these specimens. So does the stock exchange firm or investment banker that underwrites the corporation's stock issue. And, of course, the banknote firm likes to have samples on hand when new or potential customers call.

In 1975, a slender, black-haired college graduate named Abdul Salam discovered still another use for these specimen stock certificates. The place was Boston and Mr. Salam became an original, joining a long list of clever men who had devised a new way of getting rich via the stock market. Indeed, Salam's ingenuity was so novel that it secured the ultimate attestation: Gary Tuttle, chief security investigator of the New York Stock Exchange, and the FBI, both agreed that it had never been done before.

Abdul Salam hadn't shown any great signs of originality before. Like thousands of others, he was a Pakistani who had come to the U.S. for an education. He got a bachelor's degree in chemical engineering from Iowa State University in 1962. After graduation, he worked as a chemical engineer for a small Cambridge, Mass., firm. He was there five years, doing his job quietly, efficiently, unspectacularly. In 1967 he got a better job with Sprague Electric in Nashua, New Hampshire. And in 1969, he switched to Honeywell, and now, more restless, went to Massachusetts Mutual Life Insurance in Boston as a research analyst in the computer field.

Still unmarried, he began to discover the world of commodity speculation and by 1973 had done well enough with his initial stake of $7,500 to feel it was worthwhile to quit his job and devote himself full-time to commodity speculation. It seemed a wise move: between 1973 and 1975 he ran his stake from $7,500 up to $168,000. He was elated and buoyant: in slightly under two years he had earned more on his own than he could have in ten years on the job.

But late in 1975 his luck ran out. As soon as he bought wheat or pork bellies, the price would instantly plummet; when he sold potatoes or silver, they'd rise immediately. By the end of 1975, Abdul Salam had lost all of his winnings, plus most of his original stake. He was reduced to a couple of thousands.

Instead of quietly accepting his fate, he determined to get,

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somehow, a new large stake for wiser commodity dealing. The way to get it was to try something no one had ever before tried.

The idea had come from an acquaintance who was organizing a new electronics corporation near Boston. It was going to go public and the organizer had shown Salam some specimen stock certificates he had been given by a banknote firm. He asked Abdul which of the three specimens seemed better as a model for the projected firm's own stock certificate. He also asked Abdul to invest, but the Pakistani who hadn't let on that he had lost heavily in commodities, had to beg off for other reasons.

But the specimen certificates stayed in his mind. The idea gradually grew into a plan which led to the first step. He went to a neighborhood printer and had him run some business cards for an electronics firm, Abdul Salam, vice-president. With the card, he went to the main office of American Bank Note in the New York financial district and explained that his firm was contemplating a stock issue and would it be possible to have some specimen stock certificates so that he could discuss the matter with his fellow officers? He was readily obliged.

He returned to Boston and now his original training as a chemical engineer was called upon. Clearly, the first task was to get rid of the red SPECIMEN stamped twice on the certificates. It took some doing, but before long he found a chemical way of ridding the certificates of those tell-tale words without creating a whitened erasure area. Now came an even harder task: filling in the two holes, about ¼" in diameter, that lurked near the signatures of the company treasurer and secretary on the certificates.

Unable to solve the problem himself, he took a considerable risk. In Boston, he found a small firm that specialized in "restoration" of old documents. Ancient wills, company charters, valuable letters—any kind of paper that someone wanted restored to near its pristine state.

Posing as a minor employe in the secretary's office of the corporation whose certificate he held, Salam told an involved story of how the two holes had been punched-out accidentally by a careless secretary. The certificate couldn't be discarded—the absence of one numbered certificate in the carefully-counted series would raise alarms, and he wondered if the restoration firm couldn't somehow do the job.

A bit dubiously, the owner agreed to undertake it. A few days later

he gave Salam the fully-restored certificate. You had to examine the paper with a magnifying glass before you suspected that the holes had been filled in. Salam was properly congratulatory on a superb job, paid the $20 fee, and left. But he knew that he couldn't go back: the restorer clearly had been infected with doubt about Salam's cover story.

This called for more do-it-yourself. He cut a margin of three-eighths of an inch from one of the stock certificates that seemed to be on paper most resembling another certificate he wished to restore and cut out holes slightly larger than the quarter-inch holes he had to fill. After a few days of experimentation, he found a way of filling the holes so that they would pass casual inspection easily.

Now he was ready for his assault on the financial world. He first took a SPECIMEN-less, hole-restored certificate of CIT Financial Corporation and on a borrowed electric typewriter put in his name as the stockholder and inserted the number 800 shares in the proper place. (The specimen he had was one engraved: "More than 100 shares.")

Once again, he went back to the brokerage firm where he had traded extensively in commodities, gave them the CIT stock certificate as collateral and asked for a loan of $30,000. Since 800 shares were then worth $64,000, the brokerage firm was happy to oblige since they knew that, with a little luck, a good deal of that $30,000 would be returned to them in the form of the heavy commissions commodity traders paid, buying and selling the wheat, silver, hog bellies and potatoes they never intended to see, let along acquire.

But commodity trading was now only a dismal reminder of past failures. Abdul Salam had found a new way of acquiring a lot of money quickly with hardly any risk. There was a minor problem, he knew. The numbers of the doctored specimen certificates did not exist in the books of the corporation's transfer agent. Which meant that when the certificate finally was returned to the transfer agent, questions would be raised, investigations would be begun and eventually Abdul Salam would face a lot of trouble. What he counted on was that as long as he paid the interest on the loan made him by the stock brokerage firm, or a bank, there would be no reason for them to send the certificate back to the stock-transfer agent. Independently, he came to the same conclusion an earlier stock certificate swindler, John M. Hatch had reached.

More certificate doctoring, more loans. Now with stock certificates

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of U.S. Steel; Great Western Financial (2000 shares); Public Service Corporation of New Hampshire (2000 shares), and the Ethyl Corporation (700 shares). All fine, solid, blue-chip stocks. But the second time out he came a-cropper. A certificate on which he got a modest $10,000 loan in Brookline, Mass., was eyed by an intuitive backroom clerk who felt there was something wrong with the stiff paper. On a hunch, he called the transfer agent, read off the certificate number and was told that the corporation had never issued a certificate with that number. Events followed quickly: he told his boss, who went to the police, who sent him to the District Attorney—who did a little checking. He quickly obtained an indictment, had Abdul Salam arrested on a charge of larceny. He was arraigned and released on bail of $10,000 which he quickly put up himself.

Knowing that the ways of justice were fairly slow in white-collar matters, Abdul decided there wouldn't be much risk in leaving the state, even though the terms of his bail called for his staying put. Now calling himself Mohammed Akram, he went to Chicago and to the local sales office of American Bank Note and went through the old—new-corporation-interested-in-a-stock-issue: can-we-have-some-specimens? routine, and got some more certificates.

He was able to do this because no hue-and-cry had as yet been raised. All the suspicious stock brokerage office and the District Attorney knew was that someone had gotten a hefty loan on the basis of a stock certificate whose provenance was deemed highly questionable by a stock transfer agent in New York.

With the Chicago-gathered certificates, he moved on to San Francisco, California. He took an apartment at 240 O'Farrell Street and began doing his fine homework on the specimens.

He got $65,000 in loans against his doctored securities, from Bank of America; more than $70,000 from a Berkeley branch office of the commodities brokerage firm, Lind-Waldock & Company, which he got by depositing more than $100,000 in collateral.

He was working on a $35,000 loan from a Wells Fargo Bank in San Francisco when he was arrested on August 11, 1977 by FBI agent James Sample. What had happened was that the Lind-Waldock firm had sent Salam's collateral certificates to their Chicago home office. There the casual handling by the stock clerks, its being jostled in the mail, its additional handling in Chicago—may have contributed to Salam's downfall: one of the patiently restored punched holes lost its quarter-inch filling before the eyes of an alert back-

office stock clerk.

Even after his arrest, it still took some time before the full significance of what he had been up to hit American Bank Note and the New York Stock Exchange. Contrary to public impression, the communication paths of law enforcement are neither straight, swift nor even certain. What had helped the Salam case from becoming a minor local matter was the fact that the FBI found $30,000 in his apartment, plus more than $500,000 in his doctored stock certificates.

Late in August, Gary Tuttle, the New York Stock Exchange security investigator and Salvatore Amato, president of American Bank Note which printed the specimens, flew to San Francisco to consult with the FBI.

Recently, Tuttle told me: "It was a new scam and a dangerous one because there was no way we could recall or forbid the use of specimen certificates. They're needed. What had to be done was find ways of making specimens impossible to doctor."

Abdul Salam pleaded guilty to interstate transportation of forged securities and was sentences to five years in prison. He was sent to Terminal Island Federal Penitentiary near Los Angeles.

(It was fortunate for law and order that Abdul Salam moved around. If he had stayed in Massachusetts and practiced his original-type crime there, the authorities might have been greatly embarrassed: at the time there was no Federal crime involved in counterfeiting or altering stock certificates in any way. To fill this gap, Senator Charles H. Percy of Illinois introduced a bill to prevent illegal trafficking in lost, stolen, forged, counterfeit, and fraudulent securities. The bill provides for penalties of up to ten years' imprisonment or a fine of $15,000 or of three times the value of the fraudulent security, whichever is greater. The bill also bans the color copying, via office machines, of any marketable security.)

I talked to Salam's attorney, Paul Alvarado of San Francisco. He said that Salam felt his sentence was unjust because the commodities trading firm, Lind-Waldock, should have *known* that the doctored stock certificate he offered as collateral was a fake. "They were so greedy to get my commissions on commodity trading, they didn't look at the certificate closely enough."

American Bank Note now makes it much more difficult to pull another Abdul Salam. Its specimens now feature SPECIMEN *seven* times over the lower half of the note. More importantly, they are

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stamped on in a special penetrating ink that can't be removed without destroying the paper. And the punched holes now go through the signatures.

The case arose again at the May 25, 1978 stockholders' meeting of International Banknote Company, which controls American Bank Note. Edward Weitzen, president of International, was asked about the case by a stockholder. He called it a "very amusing and very serious incident." In addition to the new safeguards instituted, he pointed out that there was still another one evident at the stockholders' meeting:

"Normally, at this meeting in the past I have always had samples and invited you to come up and look at them and feel and touch them. They are conspicuous by their absence this morning, as a result of . . . this incident. These certificates and security documents are so valuable that we have to guard the specimens just as we guard the authentic."

In short, specimens are still so close to the pukka stuff, it's dangerous to even trust stockholders with them.

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Inside Enemies

There are some jobs in which it is impossible to be virtuous. — Aristotle

A member of the Brotherhood was once allowed to visit India's two banknote-printing plants. It was a considerable privilege because even top officials of the Indian Reserve Bank and Finance Ministry must get very special permission before they can visit either plant.

India's original banknote plant, outside Bombay, was erected in the late Twenties. A much newer plant is at Dewas, about halfway between Bombay and New Delhi. Together, the plants employ some 2,500 workers and security is very tight for the obvious reasons, plus the fact that in the main, India's civil service workers are poorly paid. The two plants turn out more than five billion notes a year, which is somewhat more than the production of the U.S. Bureau of Engraving's single plant in Washington. But then, India has 2½ times the U.S. population.

At both Indian banknote plants, employes strip down before entering the work area. In one plant, they walk over a narrow trench and get penetrating looks by the orifice inspectors. In the other, they make the naked employes jump over a two-foot-high bar so that they would drop any notes concealed in their crotches. Then all employes don pocketless, one-piece uniforms and go to work. They go through a similar inspection in the evening.

The foreign visitor was impressed and puzzled by the inspection procedure. As he recalls it, the following colloquy took place with his guide, one of the plant's top officials:

Visitor: I understand the inspection at the end of the day. But why, *before* they start working?

Official: Ah, yes. We do that to make sure they aren't bringing in any notes with them, concealed about their body.

Visitor: Bringing *in* notes?

Official: Yes. Some men were bringing in counterfeit notes which they hoped to exchange surreptitiously during the day for proper notes.

Visitor: Wouldn't you detect such workers at the evening inspection? Why search them in the morning?

Official: It does seem illogical, doesn't it? But is is important for us to know which of our workers would even *think* of bringing in counterfeit notes to exchange.

India's problem is not counterfeiting, its officials say. In a nine-year period, only 45,000 counterfeit notes were detected. A remarkably low figure, considering that the old Bombay plant does all the low-value notes—1-, 2-, and 5-rupee denominations—on offset presses, which means that they can be duplicated without great trouble on any of the country's thousands of offset machines. (A rupee is currently worth 10 cents.) Since India keeps the 1-rupee note circulating for at least six months, it gets incredibly filthy and smudged by the time it's ready for destruction. Most merchants won't take torn notes, so India has developed a comparatively new occupational title: the torn-note mender. He repairs the tear, but naturally, refuses to take any of the mended notes in payment.

* * * *

When Pakistan installed its own banknote printing plant at Malir, Karachi in 1952 with the great help of De La Rue, it quickly found that all-too-many notes were being carried out of the plant by workmen. "A really appalling security problem," one De La Rue old-timer recalls. "Thousands and thousands of notes." The answer: before leaving, each stripped-down employe had to walk over a trench and grab a steel bar, while in the trench below orifice inspectors checked the employe's anus and crotch. The losses quickly stopped.

In Russia, at the Gosnak plant in Moscow, workers strip naked, are rapidly inspected as they walk nude down a narrow corridor. Then they don a set of special pocketless overalls and start working. At the end of the shift, a similar inspection and then a shower. But at the Petrograd plant, things are even tougher. All workers have to live

with their families in the nearby Petropavlosk fortress. They are let out on Sundays, just as if they were on army passes. (The Petropavlosk setup is a carryover from czarist times.) Gosnak officials who want to enter the actual banknote-printing area, are searched just as thoroughly.

None of the Western countries have security measures quite as severe. At most of them, the rare visitor is asked to put all pocket items—wallets, keys and so on—into an envelope before entering the printing area. In many plants, the visitors are also searched before coming out.

At the Indonesian banknote plant in Jakarta—built in 1952 by the Dutch banknote firm, Enschede—there is some Oriental redress for these minor indignities. In the large outer office of the plant—*Perum Peruri*—there is a sizable guest-notice board. Every authorized visitor gets his name listed in one-inch-high letters all day on the board under the heading: Perum Peruri today welcomes the honoured guest: , and lists his company affiliation. But he's searched anyway.

A member of the Brotherhood once was in the huge Enschede banknote plant in Haarlem, when suddenly a loud bell sounded repeatedly. The visitor looked around and saw that everybody in the area stood stock still. So he did, too. He recalls what happened:

"It was as if a glass bell jar had descended on us. We were isolated from the rest of the plant, because I could hear plant noises. Then the security men came in and each of us was searched thoroughly, for banknotes, paper—God knows what. There were later polite apologies but it turned out that this was an Enschede security technique. Unannounced searches for a particular department. *Everybody* who happens to be in that section at the time—from top executives to every visitor—gets thoroughly searched. The presumption is, I guess, that with these unscheduled searches no one could pull off a caper of some kind with a fair margin of safety. You wouldn't know when the spot search was coming."

(Enschede is one of the private banknote firms that also does notes for its own government, the Netherlands. Orell Fusslli, a major Swiss publisher of maps and stationery, does all of its country's notes; and two private Ottawa firms—Canadian Bank Note and British-American Bank Note—handle all of Canada's currency needs.)

Not long ago I was talking about security problems at Enschede with Wim Van Andringa de Kempenaer, who used to be the firm's

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managing director until his retirement to California.

He recalled an odd incident. "There was a woman employe in the examining section, and one day she just couldn't resist temptation. So she palmed a 25-guilder note which was then worth about $10, and somehow it wasn't missed in the various counts. The next day she went out and bought something with the new note. Well, eventually, we traced the missing note back to her and she confessed. Now what was fascinating about this instance was that the note she took was of a new Dutch issue that *had not come out yet* . The public hadn't even had a glimpse of the new notes—and yet she was able to pass it without trouble. We talked to the storekeeper, an intelligent fellow. 'How could you accept a note you'd never seen before, a strange note?' He looked at us blankly: 'Why not? It *looked* like money; it *felt* like money.'"

* * * *

At the Bank of England's Debden printing plant in Loughton, outside London, there are very, very few visitors. Any visitor's request required the approval of the Governors of the Bank of England. Employes examining and handling new paper money are observed from a raised, concealed observation platform, very much in the manner of the U.S. postoffices. In addition, like most of the large money plants, there are dozens of TV cameras constantly monitoring the scene.

The U.S. Bureau of Engraving in Washington has a security problem none of the other banknote makers face: the 730,000 annual visitors. (The Bureau's regular public tours started around 1900. In 1980 Australia became the second country to permit visitors to see how the nation's money is made.) Every day, several thousand men, women and children—particularly children—take the almost obligatory free tour of the plant where some twelve million notes are made daily. Admittedly, the visitors observe the process—most of it, but not all—from an enclosed, glassed-in, raised walkway. In a sense, you might say the visitors also serve as an unpaid observer corps of the employes they see—except that even if they saw something fishy taking place, they wouldn't know what they had seen.

What the Bureau's Office of Security depends on, besides 112 TV cameras (probably one of the largest closed-circuit TV operations in the country), is what is politely called the Probe Program. It was instituted by the present head of the Security Office, Joseph R.

Rodriguez.

Recently, a former security office employe talked about the program:

"What's the next logical plateau after the Enschede operation? Sudden, unannounced searches are allright, but you're depending too much on luck and timing. What the Probe Program does is make a trained security officer start thinking like a crooked employe. If he sees a break from routine, a deviation from procedure, he has to start thinking: if I was a crook, how would I take advantage of that? A security man was casually going through the production department when he noticed that a particular guard was not carrying out his prescribed security procedure. I don't want to go into too much detail, but let's say that in this case the security man saw that the guard's neglect would enable someone, say, to grab some $100 bills. Okay. Because of the lapse in procedure this employe grabs the bills and keeps on walking. Now he comes back to the guard, shows him the money and points out that his laxness in procedure made this grab possible. The guard is shaken but he's learned a lesson. From then on, he follows the procedure down to the last word. You can bet on that."

Sometimes "thinking like a crook" can be a bit too effective. It turns up methods that might be dangerous even to perform as an object lesson. In effect, the new method of penetrating security is *too good* . If it got around, someone might be tempted to try it. Or, as the office of security puts it officially: "Obviously, if such information became available to the wrong personnel, a threat to the security of banknotes could easily materialize."

Inevitably, every banknote-printing operation, public or private, finds that from time to time it has some "wrong personnel." Sometimes it's no more than a temporary aberration; a minor heist pulled off with "comparatively innocent motives," as a former production executive of American Bank Note describes it.

"Every few years at our Bronx plant, we'd have a situation something like this. A single banknote, made for one of our clients, is suddenly missing. The place is turned upside down and there's no trace. We start working back to anyone who handled the batch of notes, and the story finally comes out. An employe in charge of transporting notes from one production stage to another has told his family that he's a pretty important guy at the plant. Why only today he pushed around five million dollar's worth of notes—just like that.

Somebody doesn't believe him, so he had to prove that he did. How? Well, he just brings home one of the brand-new foreign notes. There, that proves it."

But most inside jobs are not so "comparatively innocent." In 1971, Arthur Green, Jr., a 26-year-old paper-handler at the American Bank Note plant in the Bronx, discovered that a supposedly secure basement window facing a Bronx street was easily opened. He got in touch with another Harlem friend, Carlton Brown. Green got 128 sheets of 500-peso Mexican notes and three sheets of 20-peso notes and thrust the tight bundle out of the basement window at a time when he knew Brown would be passing by. The notes would have been valued at $517,000—if they had the serial numbers affixed.

The theft was discovered within two hours and a surveillance was immediately begun of all the men who had anything to do with those sheets. The search quickly led to the American Bank Note employe and his partner. Both were arrested and pled guilty. The notes never left their hands.

On January 4, 1954, the first workday of that new year, two packages of $160,000 in $20 Federal Reserve notes were discovered missing at the Bureau of Engraving in Washington. In their places were two dummy packages, made to simulate the genuine new currency bundles which consisted of 4,000 notes bound with steel strips and wrapped in heavy kraft paper. In less than a week, the case was solved: a male checker-distributor employe had worked out the crime by himself and shrewdly selected December 30, 1953 to make the substitution knowing that there'd be several days' interval before the next working day after New Year's. He managed to get the bills out, hidden in his soiled work clothes. Since there hadn't been any outcry—it took two days before his dummy packages were found to be just that—he was able to pass the routine security checks on leaving. In time, the employe was arrested and the government got back all but $26,000 of the missing bills.

In December, 1977, some 35 five-pounds notes went astray at the Bank of England's banknote-printing works at Debden. The missing notes were on the end of a complete reel of new £5 notes. (The bank prints its notes on reels of security paper instead of on sheets as most banknote works do.) As a rule, the last few rows of notes on a reel are cut off and destroyed under supervision because there are usually paper flaws at the end of the reels. Naturally, a close watch is kept on the destruction of these reel-ends, but this time, the notes manag-

ed to vanish anyway. All of the staff who were near the huge intaglio-printing machine were thoroughly searched. No notes turned up.

When I visited the Debden works in 1979, I asked Michael Cubbage, the general manager, about the missing fivers. It was during a long, leisurely luncheon in the executive dining room. Cubbage, heavyset and engaging, smiled sadly. "I was afraid you'd ask about that, so I talked to our security people this morning. I'm sorry to report that more than a year after the incident, we still don't know what happened to those 35 £5 notes. Every now and then we have to remind ourselves that attempts at *perfect* security are hopeless. We simply do our best.

"We had a very extensive investigation. Nobody was fired and, of course, there haven't been any prosecutions. We have our suspicions but nothing can be proven. So there we are."

Several of the other plant officials around the table nodded in gloomy confirmation and I thought I'd lighten the mood a bit by introducing another possible solution to the mystery. I told them of a vaguely similar incident that had taken place at the Bank of France banknote plant at Chamalieres in central France. A sheet of 100-franc notes disappeared. The French had an easier solution than harboring festering suspicions about some employes. They decided that the sheet was lost inside the huge multicolor-printing machinery. When the machine would be dismantled for overhauling in a few years, the notes would be found.

"That's a possibility, I suppose," Michael Cubbage said, dubiously. Then someone at the luncheon table murmured, "The French do love the *deus ex machina* solution." It got a polite laugh.

* * * *

One day in Munich, a German banknote official observed there was an interesting difference between paper money and women: women become less desirable in their declining years—but with paper money, the closer to death it is the more it attracts ardent wooers.

We had been talking about a banknote caper the authorities had just gotten around to solving in Frankfurt. The whole operation was based on the fact that there has to be—but often isn't—as much security around the destruction of worn-out, over-handled paper bills as there is in their creation.

The great British Glasgow-to-London train robbery in 1963 was based on the knowledge that *all* British banks had to send their

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worn, dirty notes to the Bank of England printing works at Debden for their ultimate destruction. (Maybe they were smarter in the old days when train robberies were as common as bank robberies are today. In South Africa and several other countries where overland travel was hazardous, banknote officials would cut the notes in half and send each batch to their destinations by different routes. Only when the two batches arrived safely would bank employes join the halves together for a complete note.) At Debden a special incinerator handles more than 8,000,000 notes a day. The burning notes generate enough heat for the huge printing plant, where more than 2,000 people work. Why not have the notes destroyed locally—and end a perennial temptation for train robbers? Because the Bank of England opposes "regional burning"; the fewer people who have a hand in the last rites of banknotes, the better for security.

In the U.S., local Federal Reserve banks are permitted to devise their own means of note destruction. At the San Francisco Federal Reserve branch, a ten-story stone fortress, the worn bills are burned twice a week before 12 observers, much like—a visitor notes—"the execution of human life." The new 20-ton incinerator deep in the basement of the structure is "ecologically sound," which means there is no inky black smoke or particles floating around the city, which would otherwise lead to harsh complaints from neighbors.

After the loading of the worn bills, each observer, who has his own padlock, affixes it to hasps fastened onto the currency crematorium. The locks stay on for two days until the huge furnace is cooled down and a brown silt—the final remains—can be removed. The San Francisco incinerator takes care of about $1 billion in tattered bills a year. In a recent year, all the Federal Reserve banks destroyed nearly three billion notes.

But burning is not the only means. Old notes can be shredded or compacted. A special disintegrator which shreds currency into quarter-inch pieces, or a hammermill pounder which battens the currency into a cotton-like fiber. Some of the Reserve banks give away the shredded money and others charge $5 to $10 a ton for it. One New York manufacturer makes clear plastic gimmicks filled with shredded money ("cashfetti"). A favorite item is a 15-inch-high dollar sign, 12 inches wide and five inches thick, containing a "million dollars" in shredded currency. It's yours for about $150. Another popular item is a plastic pen filled with $2,000 of the shredded money. Shredded money from the Dallas Federal Reserve finds its

way into cellulose insulation for homes, walls and roofs. A few oil-drilling companies use the shredded money, mixed with a special fluid, producing a lubricant for heavy drills, particularly drills that thrust deep into earth which is porous or fractured. Apparently, the mangled money is a great crack-filler, too. And the Baltimore Federal Reserve simply bulldozes its shredded bills into a swamp—after attempts to use it as mulch failed.

In most Federal Reserve branches the old notes are first checked for counterfeits and for bills that still might have a few more months of limp life in them. The others are strapped into bundles of 1,000 and put through a cancelling machine which perforates the bills with a special pattern zigzagging across the surface. Then the bills are sent to the incinerator or the macerator, along with the confetti-like pieces punched out of the bills.

The German Bundesbank, the equivalent of the U.S. Federal Reserve Bank, requires six or eight holes to be punched in each worn note before it is sent on by train to Frankfurt headquarters from any of the 11 main branches. At the Frankfurt destruction center, a huge incinerator that develops 1,100°F. burns more than two million perforated notes a day in what one lyrical journalist calls "The most exquisite fire in the German Republic."

The Bundesbank's new headquarters, a squat, gray building on a hill north of Frankfurt's main business district has a special section where the worn notes get a final count before destruction.

Since the old notes had already undergone full examination at the branches—for possible further use, or occasional counterfeits—all that was left to do was recount the perforated bills in Frankfurt and place them in 1000-note banded packages. These are then put into large jute bags and then trundled down to the incinerator where the bundles are removed from the bags. A jute bag for 1000-mark notes (each worth then about $550) could contain 11 million marks (about $5,500,000 worth).

The worn notes are handled by 30 men, each of whom usually counts some 15,000 notes a day. These men earned about 3,000 marks a month (some $1,680) which isn't bad pay, but not great pay—for West Germany.

There's nothing casual about the counting system. The men work in teams: one counts and the other watches, and they have to agree on the count. And until 1975 everything seemed to be going well, in proper order. No thefts, no missing notes. After all, what was a thief

to do with perforated Deutschmarks?

In March, 1975, Ottomar Werthmuller was placed in charge of the Bundesbank division that included the destruction center. Before long, he began to be bothered that the laws of probability were being stood on their heads. Some of the 30 men working in the note-destruction center were having an extraordinary run of good luck.

When the first, a section head named Hans Maas, announced he had won a top prize in the 1972 national lottery, he stood beers for the men and was congratulated by all. Egg-bald, round-faced Maas beamed through his black-framed glasses. "Imagine. First time I bought a ticket," he grinned. With his winnings, he built a fine new house with an indoor pool and a sauna. About $750,000 worth. He now came to work in a new Ford Granada—Germans love this U.S. model—and his wife got a new VW Rabbit. Naturally, his new affluence inevitably led to a new appraisal of him by his neighbors. He was no longer a modestly-paid civil servant. Clearly, he was now a man of affairs. He became an officer of his local PTA—he has four children—was elected to the board of his local church. Before long, he became active politically and was elected town councilman in Niederhausen, near Wiesbaden. When he ran for treasurer, his campaign slogan was, "I have learned to handle money on my job." Evidently the great lottery prize had brought out the best in him.

Less than a year later came another big lottery winner in the note-destruction section: this time it was Herbert Feigl, Maas's assistant in the section. He, too, acquired a fine new home—not quite as fine as Maas's but still, it did cost at least $600,000. Feigl, 39, married, had two children and a red 450 Mercedes with air-conditioning. He also gave his new mistress a fine BMW. There were lavish parties—"champagne by the barrel, caviar by the kilo"—as one celebrant recalled, and Feigl told everyone that he had another great stroke of fortune: by clever stock-market speculation he had doubled the lottery prize he'd won. For a man who had been living with his wife and two children in two crowded rooms in his in-laws' modest home as recently as 1973, Feigl had come a very long way.

More good luck followed in the section. Dietmar Nentwig made it big, it appeared, by speculation in real estate. He had moved into a $600,000 home. A new car, of course. Before long, another remarkable stroke of fortune hit this favored little group of banknote handlers. This time it was a large inheritance by Nentwig. Came from an aunt in America, in Milwaukee. The good aunt always said she'd

take care of him—and so she had.

Werthmuller had gotten the full details of the extraordinary luck of these men and, naturally, entertained some obvious suspicions. But initial investigation indicated that there were *no* missing bills in the destruction section. His investigators had already found that none of the three men had ever offered any perforated bills when they bought their cars. They did offer cash, however—good, solid Deutschmarks.

More checking: did Maas actually win the lottery as he claimed? Alas, difficult to check out. European winners can collect anonymously by having a discreet bank collect the prize with the winning ticket and thus avoid the attendant publicity.

By now Werthmuller and his chief investigator was convinced there had to be a connection between the incredible,sudden prosperity of three ordinary civil servants and their place of work. He also went back into the recent history of the section and everything suddenly pointed to the Great Move of 1972. In that year, an end was put to the scattering of the greatly expanded Reserve Bank in more than 19 different locations all over Frankfurt. In 1972 the new, single headquarters became operational. The move of the 19 separate offices into the new building took two hectic weeks and there were, inevitably, lots of misplaced items. Several bundles of perforated banknotes, for example. Since files, pieces of furniture, and typewriters also vanished—or simply been misplaced—during the moving period, no one was too exercised and, in time, the anxiety about the vanished bundles of banknotes diminished. Again, everyone concerned asked the usual question: what on earth could you do with *heavily* perforated banknotes?

Werthmuller knew there was a connection between the good fortunes of the three men and the vanished bundles. But what was it? Then, futher probing came up with the answer: the bank had been made vulnerable because it had been *too* logical.

All the eleven main branches of the Reserve Bank perforated the worn notes before shipping them to the Frankfurt headquarters. But what about the worn notes accumulated at the Frankfurt main branch itself? The logical mind, the cost-effective mind of the well-trained bank administrator had long ago decided it was silly for the main branch to add an unnecessary step by perforating its notes. After all, these worn notes would be sent only to another part of the main building for destruction. Since they were already in the same

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strongly-guarded building, what on earth could happen to them? To begin with, the idea of perforating the notes from outlying branches was a security measure only—to annul temptation for possible train robbers.

What had happened, obviously, Werthmuller decided, was that the three "lucky" workers had long ago secreted the perforated bundles missing during the move to the new headquarters. And since none of the men were searched on entering the building, they were probably bringing in small bundles of the perforated notes with them, from time to time. And when they formed trusted counting teams, they surreptitiously replaced the worn but unperforated notes from the Frankfurt branch with their hoard of old, punched bills. The exact count remained proper, of course, but now the men had notes they could safely take home with them—notes that could be used without worry.

Still, all of this was pure hypothesis. There was talk of ransacking their homes and garages, but there wasn't enough hard evidence to obtain a search warrant. So Werthmuller decided on another strategem. The personnel office announced in late May, 1979 that Maas of the counting department would be transferred to another section of the bank. (Nentwig, perhaps more prescient than his pals, had resigned late in March to enter the real estate business full-time.) The move was to become effective, Friday, June 1st.

On Thursday, May 31st, Maas came to work in his proud Ford Granada and entered the building. Ten minutes later he was being searched by the Criminal Police. Inside his shorts, the police found 40,000 marks—perforated marks. Shortly after, Feigl was also arrested, as was ex-employe Nentwig. Searches of their homes turned up four bankbooks and a Swiss-numbered bank account in the Maas villa. Evidence accumulated that Feigl had recently visited Liechtenstein several times, apparently with the intent of opening a numbered account there.

The bank estimated that the three had gotten away with at least 10,585,000 marks (about $6,100,000). But what embarrassed the Bundesbank was that the continuing caper could have been undone at any time—if only someone had checked routinely to see that bank employes weren't depositing more in their Bundesbank savings accounts than they had earned. In the nearly eight years the little group ran their scheme, Feigl, for example, deposited some 1,352,000 DM (about $743,000) although he had only earned $103,000 during that

period. Just to show that he had no real favorite, Feigl, for one, had 34 accounts in fourteen different banks. To play it safe, he also accumulated $191,000 in gold coins and bars, and $110,000 in cut diamonds. And three homes worth $770,000. He was covered for every kind of financial catastrophe—except the very primitive one of being found out.

Understandably, the Bundesbank officials who attended the 100th anniversary celebration of the government's currency-printing plant in Berlin on September 21, 1979, got a certain number of sly comments from some visitors representing foreign central banks and banknote-printing works. One visitor commented that since the known total taken was only $6,100,000, the crime wouldn't make the Guinness Book of Records: after all, the great Glasgow-London banknote-train robbery of 1963 involved more than $7,000,000 in old notes due to be destroyed by the Bank of England. But a Bundesbank official wasn't consoled. He suspected the total amount would go far over $7,000,000 since the Criminal Police now had four additional bank employes as suspects. Another visitor added helpfully, well, even if the amount went over $7,000,000, the Bundesbank would probably recover most of it since the culprits were solid family men who carefully put their loot into houses, bank accounts, gold and diamonds—instead of dissipating it on wild times, lots of distant travel and legal fees as the English criminals did. A toast was drunk to the dependability of German criminals.

* * * *

On March 17, 1981, Feigl, Nentwig and Maas were convicted and sentenced to terms that ranged from three years to 42 months in prison. They had already made restitution of some $2,464,000.

Enemies of Cash

Money, thou bane of bliss and source of woe.—George Herbert

"We have taught them to accept money," Tacitus wrote in his classic history of the German tribes. Some 1,900 years later, these teachings are being reversed: the natives must now be taught *not* to accept money. Why? Because money can be a bulky nuisance, also a dangerous one. It can undermine tax collectors, law-enforcement agencies, and other enemies of personal liberty.

To Emerson, money "in its effects and laws was as beautiful as roses." The cunning new enemies of money don't dare refute Emerson directly. They talk of thorn dangers, the vexation of rose allergies; how beauty is, after all, only comparative. Who would attact money head-on?

For the banknote world, the normal enemies—larcenous employes or counterfeiters—are, in spite of their criminal proclivities, still fellow travelers. They, too, believe in the Priority of Paper Money, the Catechism of Cash. But the newer enemies are far more insidious. All that prevents the banknote world from panicking is the reassuring fact that we use more and more money every year; that a banknote is still the cheapest transaction means ever invented. It also helps that the new enemies have their own great troubles.

* * * *

The *New York Times* does a series on how American families are coping with inflation, and they talk to a couple of typical young families in Los Angeles—the Sheppards and the Pointers. Then:

> Both families use very little cash. It is as though inflation has given cash a bad name. The Pointers write checks at the supermarket. They buy gasoline with a credit card. . .Gwen Pointer seldom carries more than $10 in cash. 'You don't need cash anymore,' she says. Mr. Sheppard argues that credit is too easy but nevertheless has 10 credit cards. His wife Ada Carol carries many of the same cards, plus a few all her own. 'I'm not really a credit card person. They're just for convenience,' Mr. Sheppard said. 'It's become such a hassle carrying around cash. You need a whole fistful just to buy lunch.'

And nowhere a single comforting word about ready cash, the one-time universal panacea.

Horace Spencer Nilson, who also lives in the Los Angeles area, has long been studying the Sheppards and the Pointers and the millions of families like them—our certified card-carriers. Every two weeks, Nilson reports on the conduct and characteristics of *all* of our card-carriers: the 37 million Master-Chargers and the 42 million Visa-holders. Of course, there's a lot of duplication but he also scans the 12.7 million among us who carry the more select T&E (Travel & Entertainment) cards such as American Express, Diners and Carte Blanche.

Nilson does all this because he is the editor and publisher of *The Nilson Report* , "privately-published, twice-monthly newsletter and advisory service for credit-card executives." He has 1,500 subscribers who may him $165 a year. He also gets $1,500 a day consultation fees. "About a fifth of my customers are in Europe so I also get a lot of foreign consultation calls. Going over to Germany Sunday. Deutsche Bank wants me for a day."

He says he has a lot of subscriptions from the banknote world, too. "Makes sense," he grins. "They read me to see what the insidious enemy is up to." They also read him because Nilson has become a good source on the newest use of the credit card: to get cash from the increasingly prevalent ATMs—the Automated Teller Machines which spew out hard cash if the right plastic card is inserted in the narrow slot.

Nilson is a wiry, youthful-looking 61. He has short-cropped iron-gray hair, gold-rimmed glasses and an aversion to wearing shoes indoors. He lives and works on erratic schedules in a three-story house in a middle-class section of Santa Monica. His offices and staff of four are on the first two floors and he lives in sprawling, gadgety affluence

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on the third. "Living over a store has its advantages," he says, during the house tour.

He's proud of his quirks. "Never went to college. I can't stand anyone telling me anything. My father and his twin brothers were all self-taught inventors. My father invented the hydraulic bumper-jack. I bet this is the only newsletter office with $7,000 worth of elaborate hi-fi equipment," he says as he mercifully turns down the volume after a few paralyzing seconds of audio demonstration.

A major influence in his life was the fact that he "was saved when I was 15. I was eternally saved by Southern Baptists who prepared me for eternal life. I know I'm eternally saved so I don't worry about death."

He went to the Minnesota Institute of Art in Minneapolis and taught there later. He opened an art studio in Los Angeles, became an agent for commercial artists; a creative director for an insurance company. At one time he also sang professionally and did a lot of church-music recordings. He worked in ad agencies and for several years was with a specialty publisher. Now, in addition to his newsletter, he's also consultant to Jerry Falwell, a well-known TV preacher who also runs Liberty Baptist Church in Lynchburg, Va.

He's proud that in World War II he enlisted as a private and came out a captain. "I did war maps for General Eisenhower. All I did then was *organize information* , just as I do now in my newsletter."

On one of his office walls, he has huge blowups of the 18 different business cards he's needed so far in his multiphased life, ranging from the first modest Horace S. Nilson "layout-lettering-advertising art" of his Minneapolis youth, to a mid-career "Spencer Nilson, Account Executive, Western Advertising," to H. Spencer Nilson, vice president, National Liberty Life Insurance." But the two tell-tale cards that point to his present peculiar eminence in the credit-card world, say: "Spencer Nilson, vice president, The Diners Club" and a later one for "H. Spencer Nilson, vice president, Carte Blanche."

The Diners Club time began in the early 50s but he was fired in 1960. "First time I was ever fired. I made up my mind I'd never be an employe again."

He tells me it's fortunate I'm doing my book on the banknote world now. "In the year 2000, money will be very insignificant. The future has to be in credit-card operations. Consumer payment systems is the game."

Someone else picked the year 2000. His name was Edward

Bellamy and he was a journalist-lawyer-social reformer from Boston. In 1887 he wrote a best seller, *Looking Backward* , depicting the American utopia of the year 2000. Money no longer exists and dollars are only "an algebraical symbol for comparing the value of products with one another." What replaced money? Yes. "A piece of pasteboard. . . a credit card" which is given to every citizen at the beginning of each year. With this card "he procures at the public warehouses, found in every community, whatever he desires, whenever he desires it."

It took about 63 years before Bellamy's pasteboard became a plastic rectangle issued by a non-revolutionary organization called Diner's Club. The first vice-president, merchandising, for the pioneering venture was H. Spencer Nilson.

I asked Nilson, as I did most of the others I had talked to, how much cash he had on him. He took out his wallet and counted some $600 in hundreds and fifties. I congratulated him on being the top cash-carrier I'd encountered so far, and since he was the most visible apostle of the credit-card faith . . . He acknowledged the seeming perfidy with an amused wave. "I travel a lot and I tip a lot, so I need the cash with me. But make a note that I also carry damn near every credit card put out, and right now I have some $10-12,000 in outstanding card charges so that the $600 in cash isn't much compared to that."

There are, he said, some 533 million credit cards making sizable plastic bulges in the purses and wallets of 92 million Americans. And perhaps 750 million cards worldwide. But the ones that excite him—and worry him the most—are the twin giants: Master Charge and Visa, which between them probably had some 78.5 million cards.

Banks love the cards, he explained, because some two-thirds of all these bank cardholders do not pay their bills in full in 30 days so that they're assessed interest of 18% a year on their unpaid balances. That, of course, is where the profit is. The miserable, orderly people who pay their bills before the 30 days are great nuisances to the banks who lose money on those accounts.

Every year more and more money is lost because of rising "charge-offs"—people who don't or can't pay up. In 1980, Nilson estimated, charge-offs of $1 billion when credit card volume totalled $150 billion. "The banks and credit-card companies don't like to talk about loss figures," Nilson says. "Maybe it's like your banknote friends who hate to say how much it really costs them to make a

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note. . . Shouldn't be any surprise. We've never had so many cards out, so many lines of credit that exceed people's ability to repay.

"Cards are a means of getting control of consumer credit. Once you got them, it's habit-forming, even if you have to pay interest on the unpaid balance. Then the card companies have the great mailing lists which they rent or milk with additional products. It's a marvelous captive audience—as long as they don't go crooked or bankrupt."

He talked of another danger.

"The printing and circulation of currency is controlled by the Bureau of Engraving and the Federal Reserve. They're our money-makers and controllers. But what does that really mean now, when anyone can print and issue as much 'plastic money' as they want to? In effect, right now we have about 30 unlicensed money-manufacturers—the people making the plastic cards. Anyone can get into the business."

All those slips the bank cardholders sign when they buy things in stores have to be handled—expensively. Nilson thinks it comes to about $120 million worth of credit-card paper daily. "It's costly handling and when the credit cards out mount higher, and are used more, there's bound to be some kind of explosion."

If counterfeiting of a credit card is so much easier than making U.S. banknotes, it is bound to attract certain undesirable artisans and their ilk. Fraud losses, due to counterfeit or stolen cards, are mounting. "You know those tiny-print warning bulletins the card companies send out? Merchants no longer bother checking them. Damn things are getting too long. . . "

Present credit card fraud losses are at the one billion mark but one informed guess is that fraud losses could hit $6 to 10 billion by 1986.

The estimates appeared in a recent report written by Richard Ahern for a New York research concern, Frost & Sullivan. Ahern interviewed 76 credit-card prisoners in four prisons. Most of them had used stolen credit cards. The only ray of optimism evinced in his gloomy report was that "credit card criminals don't know that counterfeiting credit cards . . . can be done in minutes using $500 presses, $200 laminating machines and $300 card embossers. They don't know that credit cards printed on paper and laminated up to the proper thickness—the way some small issuers actually do produce their cards—are all but undistinguishable from credit cards printed on plastic."

It was very fortunate, Ahern went on, that it has

> . . .never occured to criminals that if they were to produce their own counterfeit credit cards, they could get valid account numbers from the discarded sales draft carbons in the trash cans of every single American merchant, account numbers that would enable them to get through all the present authorization systems and purchase almost unlimited amounts of . . . goods.

The Ahern report aroused much averse criticism in the field. Some card caliphs felt the report was not only creating a self-fulfilling prophecy but that it was unduly helpful to criminal entrepreneurs. Ahern left his firm shortly afterward. I asked Nilson about Ahern. He shrugged: "We used to be in touch, but he just disappeared after the flack on his report."

Nilson had been surprised about the violent reactions because in one of his back issues he had been far more explicit. The issue's headline was: COUNTERFEITING IS NO. 1 CONCERN OF CREDIT CARD SECURITY EXPERTS. Inside, he provided the step-by-step procedure used by a convicted credit-card forger. "Things have gotten much worse since then; maybe that's why the Ahern report raised so many hackles."

I discussed the Giesecke & Devrient "rare earths" ingredient for banknotes. Nilson's face lit up. "Hey! Maybe they could put it in credit cards. I'll have to talk to Siegfried Otto about it." I said I was sure Otto had thought about it long ago.

PART III:

TROUBLED MONEY

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Cash Casualties

Blessings on him who invented. . . the common currency that buys all things, the balance and weight that equalizes the shepherd and the king, the simpleton and the sage.— Miguel de Cervantes

Why is Stuart Speiser, LL.B., such a dedicated enemy of the banknote world and its most popular product, cash? It is true that Speiser's law offices in the Pan Am Building in New York City are only a Susan-B.-Anthony-dollar throw from the offices of Edward Weitzen, head of International Banknote which controls American Bank Note. But the two men have never met, let alone have words. It is true that until recently Speiser's firm had as counsel one Robert Weber who, long ago, was Bill Hunt's attorney and agent during the Bangkok fracas, but Speiser didn't know of the connection until I mentioned it.

No, Speiser's animosity is both deeper and shallower. So far, Speiser's cash encounters have been normal and comparatively friendly. But what does bother him is that cash *might* set him up as a victim. "You read what happened to Andy Stein the other night?", he says, referring to the mugging of the Manhattan Borough President and his fiancee in Central Park. "Could have happened to any of us. They had nothing personal against Stein. It was his *cash* they were after. It's *my* cash they'd be after. If we eliminated cash, we'd also eliminate the motive for muggers and other crooks."

Speiser, a successful negligence lawyer who specializes in aviation-accident cases, made known his anti-cash bias in the January, 1975 issue of the *Journal of the American Bar Association* . The article got down to business immediately, with its titled command: ABOLISH

PAPER MONEY AND ELIMINATE MOST CRIME. Then:

> Paper currency is the lifeblood of crime and corruption in the United States. Without paper money it would be virtually impossible for criminals and corrupt officials to profit from illegal activities. If all substantial transfers of money were recorded in bank transactions, nobody could conduct profitable illegal activities without creating highly visible permanent evidence of the illegal activities or of income tax evasion or both. With the chances of profit from illegal activities so slim, it is difficult to visualize large numbers of persons running the risks of imprisonment. Crime would be reduced dramatically to the point where today's police forces could effectively control it. Fortunately, technology has advanced to the point that today there is a substitute for paper money: a 'payment card' system keyed to bank accounts.

Mr. Speiser is not just another EFT (Electronic Funds Transfer) enthusiast; another of the bankers and computer experts who keep announcing that EFT's day has come, has come, has come—even as it waits, tape-tied, in the wings. No, Speiser is rather beyond EFT. For example:

> Each person wishing to spend money other than coins, which would remain in circulation, would be required to have a bank account. The bank or federal government would issue to each depositor a U.S. payment card similar to plastic credit cards. In addition to the necessary codings, each card would contain the photograph and fingerprint of the depositor. . . Every business establishment, including taxicabs, would be equipped with a terminal in which the payment card could be inserted. . .(and) make a visual display of the charge so that the customer could see the exact amount being deducted from his bank account. . . In the event the customer did not have the amount in his account the terminal would so indicate. . .

Once we had the Speiser payment-card system,"there would be a tremendous gain in public confidence . . . when we know that our politicians, public officials and policemen cannot be bribed or influenced by money, then we will know we are at last on the way back toward a worthwhile society."

To make his system effective, Speiser points out that there would have to be legislation "eliminating paper money" totally. Payment cards would have to be the *sole* means of payment, other than

coins.

He urged lawyers to back this system which "has the potential of eliminating the financial incentives for crime and corruption at a single stroke." Finally, he hoped that the American Bar Association would lead the way.

I asked Speiser recently, what happened as a result of his article? Not much, he admitted. A few lawyers denounced the proposal in subsequent issues. And Ralph Nader did a favorable column. (Still, Nader typically avoided a *total* endorsement. The payment card idea was allright, he wrote, but it wouldn't do much "about high-level corporate or government crimes or such problems as unsafely-produced automobiles, drugs, or nuclear power plants. There will be far fewer robberies of cashless banks but banks will continue their consumer abuses. . ." (And get away with it, no doubt, by continuing to corrupt legislators and public officials. No more cash? But how about call-girls, Caribbean vacations, cars, and other desirable cashless bribes?)

In the seven years since Speiser wrote his appeal, remarkably little has happened to advance his proposal of a single payment card or, indeed, any of the original EFT systems that were supposed to be covering most of America by New Year's Day, 1980. (Well, there was *something* . On April 27, 1981, the New York Times Op-Ed page carried an article by Dr. Leon M. Lederman, director of the Fermi National Accelerator Lab at Batavia, Ill. Titled "To Reduce Crime, Eliminate Cash". The article advocated a solution similar to Speiser's: "At a predetermined hour, all cash would have to be surrendered to banks, acting as agents of the Treasury. every citizen would be assigned a thief-proof account card.")

One of the reasons is that, belatedly, the experts discovered that a nation totally wired into EFT might entail costs running off into infinity. More importantly, probably, is the finding that the public simply prefers the present system of cash and credit cards. A recent survey of 1,500 Americans found they weren't using any EFT services to any noticeable extent, and were *satisfied* with present methods. (One of the few EFT services they seemed to like was getting *cash* with a card from the new automated tellers—the unattended cash-dispensers banks are so heavily advertising.)

Possibly, another reason EFT hasn't become very popular was a column Sylvia Porter did on the pitfalls, real and possible, of the electronically-delivered financial transactions. The only real

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beneficiaries, she wrote, would be the banks who would have "great paperwork savings." Then she pointed out that under EFT "your signature would no longer be needed." (So what!, said Dale L. Reistad, an EFT proponent: "Clearly a secret code number is in the best interest of all parties involved in a payment transfer.")

"Call the computer, give the number, and presto!—$10, $100, or $10,000 are shifted from your account to whomever is calling from one of the myriad terminals in the system." (Nonsense, said Reistad, "the consumer is protected against unauthorized transfer." Further, the crook would have to transfer the money to his own EFT account somewhere so that there would be a means of tracing it.)

"Computer criminals could get your number." (Quite possible, Reistad admitted. But millions were being spent on security systems more secure than the paper system . . .)

"Catch 22: . . . if you forgot or lost the combination, your money would be gone forever. . . " There would be no more cancelled checks. . . You might not even know your own bank balance without inquiring, because unrecorded automatic deposits or withdrawals could have been made. . . If there ever is an 'enemies' list,' agents could destroy targeted individuals or groups by getting their account numbers and simply wiping out their assets . . . Once the computer forgot you, you would become an 'unperson' because you would have no more paper records . . . You could not stop payment on an electronic fund transfer" . . . Dale Reistad had rebuttals, more or less, but they were as useful as an avocado in an avalanche. Sylvia Porter outlined enough horrendous scenarios to keep us walking, working paranoids supplied for decades.

For the non-paranoids among us, the trouble with the EFT concept, according to one of my neighbors, is "If I buy a TV, what the hell is the damn rush in getting the money paid out right away to the store? Even if I use a check, it takes a few days to a week for the check to clear, so I have the use of my money until then. If I use a bank credit card, I have at least a month, and if I use a T&E card, why, I can put off payment for a couple of months during which time I have use of the money. Don't tell me EFT is for *my* convenience."

* * * *

Still, in all fairness, the cash-payment system does entail a lot of major costs we don't think about much. In a report by the National Science Foundation on "The Consequences of Electronic Funds Transfer" some of those costs were listed. Above and beyond the

making of our currency and distributing it, there were the costs of: Protection systems such as safes, vaults, cash registers, armored cars, protection services, and armed guards; insurance costs; the value of stolen money and costs of property damage associated with theft; injuries suffered by victims (of holdups and muggings); the value of money stolen from banks; the cost of maintaining large police forces and the proportion of their time spent protecting cash-carriers; the losses due to counterfeiting and the cost of the Secret Service forces in pursuit of counterfeiters, and finally, the costs of our penal system covering those who are incarcerated for cash thefts and counterfeiting. Their overall estimate was that "at a minimum, it appears we spend several billion dollars each year for the privilege of using cash."

The EFT proponents add that we can't go on as we are. Just the matter of handling checks by banks is becoming horrendous. Some 45 billion checks were handled in 1980, according to one study. At a cost of only 15 cents per check, that comes to $6.75 billion a year.

But it's not just the bankers who are getting worried. The cash system is giving governments considerable anxiety. Not because cash doesn't work; rather, it works too well, too efficiently, too silently, too unrecorded. In a world where tax collections, direct or indirect, are the basic foods on which these collective giants thrive, there is growing concern that not all the food properly theirs is being put on the plate.

The new diversions of tax money, of proper government income, are called machinations of the "Subterranean Economy" in the West; the "Second Society" behind the Iron Curtain. The chief difference between the two is that in the West, the participants in the subterranean economy are out to hide their earnings—from the tax man; from the welfare supervisors; from the police. In the Soviet Bloc countries, the main purpose is to double or triple low wages; to find ways to get the much-coveted automobile; to make sure that the surgeon does his best when operating; to get the State dentist's attention much sooner.

Everybody knows whores, gamblers and drug dealers don't report their incomes, but Edgar Feige, a University of Wisconsin economist, believes that millions of ordinary Americans are also earning more—and reporting less. Perhaps as much as one dollar of income in four, never enters the Internal Revenue computers. Sure, the loan sharks aren't reporting, either. But how many baby-sitters do? How many

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cops and firemen, who are doing part-time plumbing or home repairs? How many teachers coaching on the side? How about students who use their vans for light moving jobs?

In addition, there are unreported barter deals: a lawyer provides free advice for an employment agency in the next office. In return, the agency sees to it that a maid goes to the lawyer's apartment once a week to clean the place. A social worker pays only $90 for a $260-a-month apartment by filling-in at night as the building's custodian. He saves $2,040 a year—and doesn't report it as income.

The underground economy might well run over $300 billion—earnings that are kept off the books and "beyond the scrutiny of the tax collector", according to a June, 1982 survey by the Wall Street Journal. (It's not all bad news. If that much is off the books it could mean that Americans are saving much more than the 5.3% official figures indicate. They could be saving as much as 13% of total earnings.)

In addition to tax losses, the underground economy poses other major and embarrassing problems for Government. Clearly, if the U.E. is that large, our unemployment statistics are probably overblown; there are a lot of people out there listed as unemployed, who are actually employed in one kind of unreported cash endeavor or another.

In Europe, where taxes are higher than ours, the problem is correspondingly greater. France recently launched a drive against *le travail noir* , blackwork, done by repairmen and decorators working without licenses and thus avoiding the taxman's eye. (In August, 1981, the Wall Street Journal reported that France's underground economy amounted to 25% of the nation's official, above-ground economy. And perhaps 35% in Italy.) In Germany, the government is planning to force small businessmen to increase their insurance coverage as a means of making up for the non-insurance paying competitors who are in the *Schwarzarbeit* world. The Belgians have been getting after second-job holders, and the Swedes are trying to figure out a way of getting at British doctors who fly over to Sweden for a tax-free working holiday in doctor-short Sweden.

Sir William Pile, chairman of Britain's inland revenue board, estimates that the "black economy" of his country amounted to from $21 to $23 billion. Here he includes professionals who prefer to take their fees either in cash or "gifts" of claret or cigars, to"moonlighters" who might perhaps total 3% of the working population in Britain.

The cash underpinnings of the black economy is confirmed by the Bank of England, which has had lots of trouble withdrawing the old, large-denomination notes. More than half of them are still out there circulating. Some are in collectors' hands, no doubt, but most are being used for various unreported transactions.

In Soviet-dominated European countries, the "Second Society," the underground economy, is infinitely larger than in the U.S. or Britain. So much so, that in the case of Poland the unreported, unrecorded-cash world is "staggering," according to Prof. Andrzej Korbonski, the Polish-born chairman of the UCLA political science department. Recently, he wrote that it was safe to generalize that "Everybody in Poland who has the chance, engages in a good deal of stealing, cheating and supplementing his or her income by illegal means."

Czech and Hungarian construction workers are seldom found on their jobs after the noon lunch-break, reports David Andelman, after a two-year stint as East European correspondent of the *New York Times* . "They are off on their second or third job." A member of the Hungarian Politburo told him: "It is draining our economy, we must put a stop to this." But another Hungarian Central Committee member disagreed: "We will never be able to replace this private sector. It has become an integral part of our economy." (In Soviet Georgia a particularly venomous curse is, "May you be condemned to live on your salary!")

Nikita R. Khrushchev once commented sourly, during his reign as First Secretary of the Soviet Communist Party that, "If people stopped stealing for even a single day, Communism could have been built long ago."

Vladimir Bukovsky, a noted Soviet dissident now living in England, says that Khruschev missed the point. "Without this stealing, the Soviet economic system would not work at all. Without these rigged figures and manipulations, hardly a single target would be met and without this private, hence illegal, initiative nothing at all would be produced in our country." (In the Soviet Union, the cash economy is their *bez kvitantsii* , "without a receipt." If you don't need a receipt and are ready to pay what it takes, all kinds of goods and services become immediately available.)

In the coming decade, "the chief 'growth' area of the economy is likely to be in activities that do not show up in economic statistics because the individuals do not wish government to tax or regulate

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what they are doing," concludes Prof. Richard Rose of the University of Strathclyde in Scotland. He reported that in Britain, construction workers formed themselves into unincorporated subcontracting firms to sell labor to large construction companies. These companies operate from fictitious addresses, and workers generally give false names for purposes of record-keeping. The workers are, of course, paid in cash and do not file tax returns. Nor are they easily traced by tax inspectors. The loss on this alone, he estimates at about $41 million a year. "A black market in tax-evading labor is replacing the black market in rationed goods that existed in World War II."

When workers ask to be paid in cash in order to avoid taxes, "They require the cooperation of those employing them. . . so that at least one more person must connive in supporting this work, and a large number knowlingly countenance it . . .The size and scale of . . . contemporary government makes it increasingly vulnerable to exploitation by its own citizens, who use indifference as a means of avoiding government's influence."

So we come back again to the central dominance of cash, which makes these means of evasion possible. (Cash also has become an increasingly popular means of enabling married men—and women, too—to squirrel away funds, to avoid losing them in a divorce settlement.)

Peter M. Gutmann, a New York economist, estimates that this "off-the-books" economy in the U.S. might be as high as $250 billion a year, or roughly a tenth of the official gross national product. Again, he attributes the hidden activity to "public contempt for the tax system and government regulations."

Still, governments—capitalist or state Socialist—are not *total* victims of the cash economy. The extensive use of cash benefits all governments, points out economist James Henry. The fact is that

> . . . carrying cash amounts to an interest-free loan to the government. A dollar bill is really like a government bond that pays no interest. . .

And since nearly all governments are caught up in inflationary economies today, interest-free loans to them by holders of cash means that the hundred-dollar bill held in an unreported hoard is also losing purchasing power every month or year it is held. As time passes, the cash will be able to buy less, which becomes a form of reducing purchasing power which, in turn, helps hold back inflation.

In spite of its drawbacks and its evasive possibilities, governments

are not likely to outlaw cash. It fulfills too great a daily need as the basic lubricant of an economy.

Still, if governments are really upset and want to do something, they can. The primary motivation of the underground cash economy is not "fear of the police," concludes Peter Passell, a member of the *New York Times* editorial board.

> It is the fear of taxes. . .the practical way out is to lower the highest tax brackets and reduce reliance on hard-to-collect personal income tax. . . Liberal economists raise any number of objections to such reforms. Surely though, they owe the country their suggestions, for how else to beat the underground economy—before even General Motors asks to be paid in, say, untraceable postage stamps.

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The Ultimate Solution

In October, 1956, Ronald Harwood, a British man-of-letters who was then doing a column of country comment for *Punch* had a curious idea: why don't we make our own money? And by we, he meant us, *individuals* . He thought that

> we should be permitted to print our own money when we run short of it. We always had that privilege in the past. It wasn't until about 1830 that it became illegal for any corporate body other than the Bank of England to issue money. Previous to that many towns and even villages, issued their currency to augment their own credit. . .

As a farmer he saw the need for the privilege because

> this year we've lost 60% of our harvest. It's silly to blame the weather. Our failure is due to the fact that we haven't enough harvesters. And that lack is because we haven't enough pieces of printed money circulating among farmers. The harvesters were in the towns, ready for sale; the corn was in the fields, ready for gathering. . .
>
> No age has ever been so garrulous on the subject of freedom and had so little as this one. I count the privilege of having access to my own credit, and when necessary printing my own money, as basic. Is that so very odd of me?

Recently in London I phoned Harwood and asked if he had, indeed, ever printed his own money. He had not, he admitted, but he

still thought it a very good idea.

That it wasn't a totally kooky idea surfaced during an American Bankers Association conference in California in 1970. Dr. Benjamin Klein, a professor of economics at UCLA presented a paper, *The Competitive Supply of Money* . The basic theme: why shouldn't the government allow many different private currencies to circulate, all convertible on demand into the government's dominant currency. As Klein went on to point out, there *were* problems here. Unquestionably there would be lots of counterfeits and all of us would need elaborate, frequent guides as to which of the circulating currencies were good; and how good; and were two Murray Bloom $5 notes worth one Federal Alexander Hamilton?

Klein reported that it had happened on a minor scale at least once in U.S. history. Back in the 1840s there was a reliable private money in the midwest called George Smith money. It was issued by the Wisconsin Marine and Fire Insurance Company and was the *major* money in circulation in the midwest in that decade. (There were, alas, also hundreds of wildcat banks issuing their own currency that weren't worth the paper they were printed on.)

Still, Professor Klein was somewhat tentative about his "conjectures". It took a far better known economist, several years later, to spell out the no-nonsense specifics of almost-everyone-his-own-banknote-maker. His name is Friedrich A. von Hayek and in 1974 he won the Nobel Prize in economics. At 84, Hayek, as he prefers to be called, is white-haired, alert, incisive. His 1944 work, *The Road to Serfdom* —that is, the road to socialism—made him a near-pariah among his fellow economists most of whom had become Keynsians or socialists. Hayek still hates to be called a conservative; he prefers "radical anti-socialist". Then in 1975 he did a little pamphlet, *Choice in Currency* , for the Institute of Economic Affairs, a right-wing London economics think-tank.

Hayek believes that money does not have to be declared or created by government, but can evolve. "Like law, language or morals, (money) can emerge spontaneously". More specifically, he thought inflation would be reduced enormously if governments gave up their monopolies of running currencies. To illustrate how *bad* they'd been doing since 1950 he provided a listing, The Destruction of Paper Money, 1950-75 for his pamphlet.

In descending order he listed the countries whose currencies had the sharpest decline in purchasing power in that 25 year period:

Heading the list with 99% were Argentina, Brazil, Chile, South Korea, Viet Nam. Not far behind were Iceland at 95% and Israel at 94, with Peru and Yugoslavia tied at 90%. The United Kingdom was near the middle with 78% and France was not far behind at 75. The U.S. with a comparatively modest decline of only 57% was near the end—and we were tied with El Salvador and Switzerland; followed by West Germany at 53%. The "winner", the nation with the lowest percentage decline in purchasing power of its banknotes was Panama with a mere 40%.

The world's troubles ranging from instability of money to growth of government are wholly due to

> governments denying free enterprises the right to supply the good money it needs, money which competition would long ago have provided if it had not been prohibited by government. . .the one thing the government of a free country must not be allowed to possess exclusively is a printing press for money.

At first, Hayek admitted, he toyed with the concept only "as a bitter joke" but as he thought about it the idea "appeared to offer an effective remedy for our monetary troubles". In theory, anyone could be allowed to issue money but for all practical purposes the only real providers would probably be banks. Under his plan the banks would be permitted to issue notes—you could call them ducats if you wished—with the announced intention of keeping their *purchasing power constant*. These notes might be redeemable at the option of the holder for $5 American, 10 Swiss francs, 10 German deutschmarks or any other combination of foreign currency. The issuing banks, in turn, would use the money the sale of their notes brought to make loans, according to the index value of the notes that month.

> If the basis of this index number were, say 1000, a rise to 1003, would instantly inform all bank officers that they would curtail their lending and purchases slightly. Similarly, a fall to 998 would tell them they could relax slightly. The same information would be used by the market and media, with the result that any deviation from the announced standard would rapidly be brought to public notice. . .Individual consumers would probably be content to be paid in any generally accepted money that did not depreciate noticeably.

And the inevitable bogus notes?

> I shall assume that the name or denomination a bank chooses for its issue will be protected like a brand name or trade mark against unauthorized use, and that there will be the same protection against forgery as against any other document. These banks will then be vying for the use of their issues by the public by making them as convenient to use as possible.

(The most obvious analogy is, of course, to travellers checks which a number of banks issue,in competition with the original, American Express. And with these checks, as many banks have found to their considerable cost, it is not that easy to control counterfeits.)

More mundane objections were voiced by Douglas Jay, the former British Ambassador to the U.S. The most obvious problem, he pointed out, was the problem of frequent daily inconvenience. Say, you tender a bank's ducat note to a London bus conductor and inevitably you get into an argument about that ducat's current rate of exchange. (In New York, of course, there'd be no argument: the bus driver *only* accepts fixed value tokens or coins. How many of them you'd get for your specific bank ducat would be up to you.) In fact, Jay thought that the only ones who'd really benefit would be the producers of *Candid Camera* who would have an endless set of hilarious scenes.

Still the strange virus has, at last, been identified and its capabilities evaluated. Turns out it's been around all the time—before and after Ronald Harwood—and still lurks in many an honest citizen's breast, only awaiting sufficient cause or ideological underpinning to leap out and attack the body politic, already groaning and writhing from an extended bout of a swelling of the currency glands.

For the banknote world, the Brotherhood, it can only mean even greater opportunities. And if indeed almost anyone, or any bank, can issue its own, the true test will come when the banknote maker specifies, in advance, which private currency he will agree to accept for manufacturing the new private ducat notes. Those will be the new banknotes to watch, even as dollars, deutschmarks and pounds become relegated to old-fashioned currencies, suitable mainly for the collectors' glassine envelopes. Still the competition may be very good for the old notes. And for us.

THE END

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